



meridian

Release

Stock exchange listings: NZX (MEL) ASX (MEZ)

Meridian Energy Limited Interim Report for the six months to 31 December 2015

24 February, 2016

Please find attached the financial information required by Listing Rule 10.4 together with a copy of Meridian's half year results presentation and financial statements for the six months ended 31 December 2015.

1. NZX Appendix 1
2. Interim Report for the six months ending 31 December 2015 (including financial statements)
3. NZX Appendix 7 detailing the ordinary dividend of 5.1 cents per share (NZD)
4. NZX Appendix 7 detailing the special dividend of 2.4 cents per share (NZD)
5. Investor presentation
6. Media Announcement
7. Investor Letter

ENDS

Jason Stein
General Counsel / Company Secretary
Meridian Energy Limited

For investor relations queries, please contact:

Owen Hackston
Investor Relations Manager
021 246 4772

For media queries, please contact:

Philippa Norman
External Communications
04 806 4607



Appendix 1

Stock Exchange listings: NZX (MEL) ASX (MEZ)

1. Half year reporting periods

Reporting period: six months to 31 December 2015
Previous reporting period: six months to 31 December 2014

2. Results for announcement to the market

	Six months to 31 December 2015 (NZ\$m)	Percentage change
Operational results		
Revenue from ordinary activities	1,441	+8%
Profit from ordinary activities after tax attributable to security holders	104	-11%
Net profit attributable to security holders	104	-11%
Energy Margin ¹	509	+6 %
EBITDAF ²	332	+2%
Underlying Net Profit after Tax ³	122	+6%

¹ Energy Margin is a non-GAAP measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses.

² EBITDAF is a non-GAAP financial measure, defined as earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, gain/(loss) on sale of assets and joint venture equity accounting earnings

³ Underlying Net Profit after Tax is a non-GAAP measure representing Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items.

	Six months to 31 December 2015 (NZ\$m)	Six months to 31 December 2014 (NZ\$m)
Underlying NPAT Reconciliation		
Net Profit after Tax	104	117
Net Change in Fair Value of Financial Instruments (Operating)	32	-
Net Change in Fair Value of Financial Instruments (Financing)	-	26
Premiums Paid on Electricity Options (less interest)	-7	-8
Net (Gain)/Loss on Sale of Assets	-	-15
Adjustments before Tax	25	3
Net Income Tax on Adjustments	-7	-5
Adjustments after Tax	18	-2
Underlying Net Profit after Tax	122	115

	Amount per security (NZ cents)	Imputed amount per security (NZ cents)
Dividends		
Interim ordinary dividend	5.1000	1.6900
Record Date	31 March 2016	
Payment Date	15 April 2016	
Special dividend	2.4400	0.0000
Record Date	31 March 2015	
Payment Date	15 April 2015	

For commentary on the operational results please refer to the media announcement and interim results presentation. Appendix 1 should be read in conjunction with the attached Condensed Interim Financial Statements for the six months 31 December 2015.

3. Net tangible assets per security

	31 December 2015 (NZ cents)	31 December 2014 (NZ cents)
Net tangible asset per security, after deferred tax	167	168

4. Control of entities gained or lost during the period

Name of Entity	Incorporated	Principal Activity	Interest held by Group
Powershop (UK) Limited	13/10/15	Franchise licence holder	100%

5. Dividends

As per point 2 and NZX Appendix 7 attached

6. Dividend or distribution reinvestment plans

Nil

7. Associates and joint venture entities

Name of Entity	Country of Incorporation	Date	Principal Activity	Interest held by Group
EDDI Project JV	New Zealand	01/05/12	Dam Management Systems	50%
Hunter Downs Development Company	New Zealand	01/07/13	Irrigation Development	63%

8. Accounting standards

The group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: Interim Financial Reporting (NZ IAS 34) and include condensed notes to the group financial statements. The group financial statements also comply with International Accounting Standard IAS 34: Interim Financial Reporting (IAS 34).

9. Audit

This report is based on the unaudited interim group financial statements. Deloitte has provided a review report on the financial statements, which is attached.



meridian

Better energy future



MERIDIAN ENERGY LIMITED

Interim Report for the six months ended 31 December 2015

Highlights

EBITDAF¹INTERIM
ORDINARY DIVIDEND

SPECIAL DIVIDENDS



GROWTH



CENTS PER SHARE



CENTS PER SHARE

Company overview

MERIDIAN ENERGY IS NEW ZEALAND'S LARGEST ELECTRICITY GENERATOR AND IS COMMITTED TO GENERATING ELECTRICITY FROM 100% RENEWABLE RESOURCES – WIND AND WATER. MERIDIAN SUPPLIES ELECTRICITY TO POWER HOMES, BUSINESSES AND FARMS.

Meridian generates approximately 30% of New Zealand's electricity from its integrated chain of dams and power stations on the Waitaki River, from the Manapōuri power station in Southland, the largest hydro power station in New Zealand, and from five wind farms around the country.

Through the Meridian and Powershop brands, Meridian retails electricity to more than 274,000 customer connections, including homes, farms and businesses throughout New Zealand. Powershop has more than 63,000 residential and commercial customer connections in Victoria and New South Wales, Australia. Our focus is on continuing to achieve high levels of service and delivering value to our customers.

Meridian owns and operates Mt Millar wind farm in South Australia and Mt Mercer wind farm in Victoria, Australia.

Meridian supports a number of environmental programmes, operates Community Funds associated with each of its assets and runs a national sponsorship programme that supports organisations that make a big difference to Kiwis, such as KidsCan, Sustainable Coastlines and South Island Rowing.

The Meridian Group employs approximately 859 full-time-equivalent employees and has offices across New Zealand, including the company's head office in Wellington and an office in Melbourne, Australia.



Hydro

TOTAL INSTALLED CAPACITY

2,338MW²


Wind

TOTAL INSTALLED CAPACITY

617MW

¹ Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF).

² Megawatts. One MW is enough to light 10,000 x 100-watt lightbulbs.

In this report

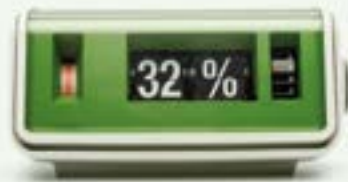
- 2 Report from our Chair and Chief Executive
- 4 Summary of Group performance
- 10 The numbers – condensed interim financial statements

NEW ZEALAND RETAIL SALES VOLUMES



INCREASE

POWERSHOP AUSTRALIA CUSTOMERS






GROWTH

POWERSHOP AGREEMENT WITH NPOWER





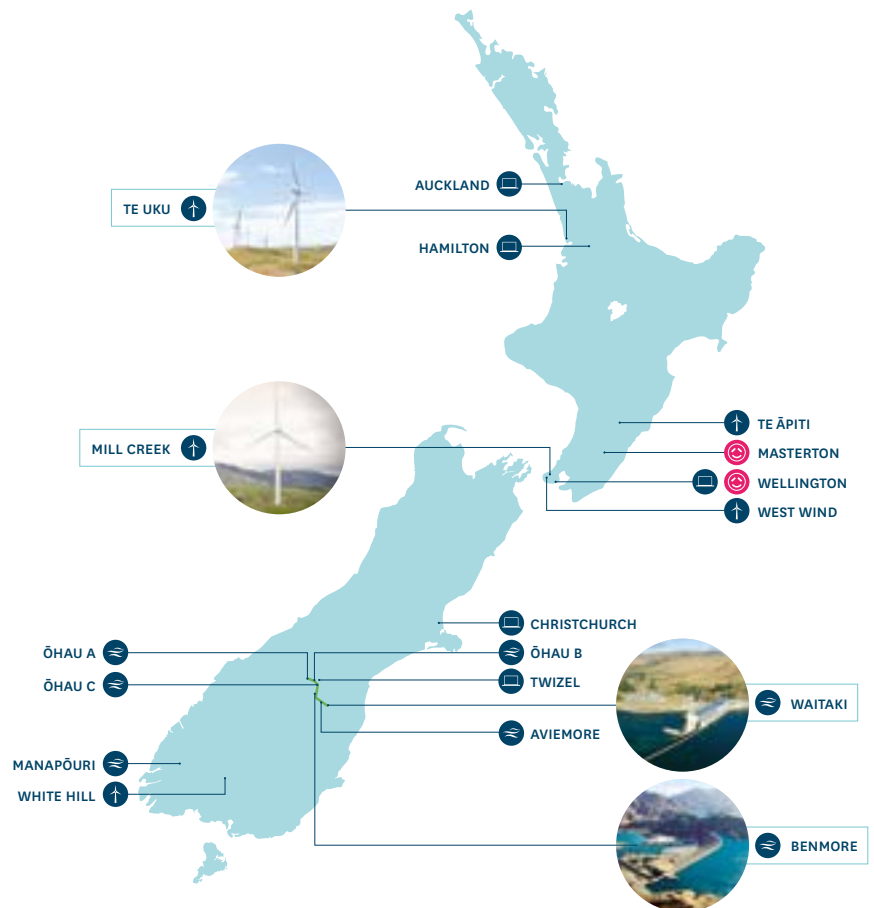
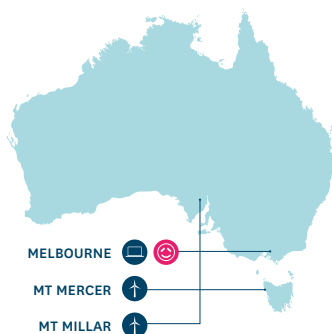
NOVEMBER

GENERATION ASSETS

-  Hydro station
-  Wind farm
-  Waitaki hydro scheme

OFFICES

-  Meridian
-  Powershop



Report from our Chair and Chief Executive

IT IS PLEASING TO REPORT AN INCREASE IN THE FIRST HALF OF THE FINANCIAL YEAR'S EBITDAF OF 2% TO \$332 MILLION, WITH BOTH THE NEW ZEALAND AND AUSTRALIAN OPERATIONS REPORTING HIGHER OPERATING EARNINGS THAN IN THE PREVIOUS CORRESPONDING PERIOD.

Driving the improved performance is a satisfying increase in New Zealand retail sales, with higher corporate and industrial volumes (+4%), higher residential and small business volumes (+6%) and a lift in the overall average retail sales price (+3%). In Australia we saw a meaningful increase in sales volumes. Higher costs were incurred to supply these increased sales volumes and operating expenses increased, with a significant part of these associated with the Powershop growth in Australia and costs associated with the npower initiative in the United Kingdom.

Dividend

We are pleased to announce an ordinary dividend of 5.1 cents per share, up 6% on last year. This is imputed to 85% and will be payable on 15 April 2016.

Capital management

At the 2015 full year announcement we announced that we would initially pay a special dividend of \$62.5 million (or 2.4 cents per share) as part of our five-year capital management programme. As with any capital management plan, there are diverse views as to the best manner of implementation. We have listened to the views of a wide range of shareholders and remain of the view that the

circumstances at the time of any decision will determine the path taken. Given the continued strong trading of the company and there being no known material issue that would clearly affect performance, the Directors have announced a further special dividend of \$62.5 million (2.4 cents per share). There will be no imputation credits attached to this payment.

This brings the amount distributed under the Capital Management Plan since commencement to \$125 million (4.9 cents per share).

Customers

Total retail sales volumes in New Zealand were up during the six months by 6%, with gains in both residential and small and medium business (SMB) as well as the corporate and industrial segments. This was pleasing given that overall aggregate demand in New Zealand was only up 0.2% in the same period. Actual customer numbers, measured through Installation Control Points (ICPs), were down by 1% to 274,101. However in the past year we have made a concerted push into the small business segment and it has been rewarding to the team to see customer numbers in this segment improve by 7% since the commencement of the new financial year. In September Meridian finalised an agreement with Xero to allow *MyMeridian*, our online

energy management tool, to interface with Xero Business Connect, allowing small and medium-sized businesses to seamlessly download billing data directly to their accounts. This is a real advantage for these customers in terms of both saving time and improving data integrity. Shareholders will see Meridian promote this collaboration with Xero in the next couple of months.

The improvement of customer service remains a core part of our retail strategy, and results of customer experience surveys have continued their upward trend in the past six months. Meridian retail recently won the CRM Contact Centre Award for commercial and business support services, which validates our ongoing investment in customer service.

During the six months ended 31 December 2015, our largest customer, New Zealand Aluminium Smelters (NZAS), saw aluminium prices fall by 8% in New Zealand dollar terms, as markets continue to reflect global economic uncertainty. Notwithstanding cyclically low prices, the smelter continued to consume at full contract volumes.

In Australia, Powershop customer numbers are now in excess of 63,000 and are now higher than those of Powershop in New Zealand. For the second year in a row Powershop Australia was ranked by Greenpeace as Australia's foremost green energy supplier.

CHRIS MOLLER *Chair*MARK BINNS *Chief Executive*

Operations

Total generation in New Zealand was down marginally for the period at 6,858GWh³. Hydro generation was down 1% but wind had a 4% increase, with October being the highest production month on record.

Stay-in-business capital expenditure remained within budgeted levels and in line with our view that this would average, in the medium term, around \$65 million per annum.

In Australia, generation volumes were down nearly 5% as a result of some poor wind months and a number of turbines being non-operational at our Mt Mercer wind farm while a safety issue with transformers was worked through to management's satisfaction. Wholesale prices improved during the period in terms of the raw energy price and the market for Large-scale Generation Certificates (LGCs) has also improved significantly. The finalisation of the long-running review of the Renewable Energy Target in June was the catalyst for the improvement in the LGC price.

Industry issues

Between March and August last year, over 1,100MW of thermal generation was slated for retirement in New Zealand, with 600MW of these closures implemented by end of December. This moves New Zealand further forward in terms of the percentage of the country's electricity needs that are provided by renewables. We currently estimate that at approximately 82% renewable generation, the country is in the top three in the OECD in terms of renewables as a percentage of total generation. However, if all of these retirements take place, new generation will need to be

built in the medium term to ensure that the country can meet demand requirements during times of peak electricity consumption as well as when hydro flows are low. This raises interesting issues as to potential solutions in the short and longer term, which we are sure the market will resolve.

While New Zealand is undoubtedly moving to in excess of 90% renewable electricity generation in the medium term, some form of thermal generation will be required for the foreseeable future to cover the country's risk of being exposed to extended droughts. On the positive side, this generation is, and will be, needed less frequently than in the past.

Meridian is playing its part in working to a greater reliance on renewables and has recently completed the consenting of both its Maungaharuru and Central Wind development opportunities. We will also look at the available courses we can take to ensure that Meridian has sufficient cover and is prudently positioned should we experience low lake inflows in the future.

Tiwai Point

It was flagged that NZAS had a termination right exercisable on 1 July last year. Suffice to say this matter had a lot of media coverage but the termination right was not exercised and a variation of the agreement was signed. The net effect was that Meridian remained contracted for the full 572MW currently used at the plant, and from 1 July 2017 will achieve a modest increase in the price we receive. NZAS retains the right to terminate the agreement on 12 months' notice at any time from 1 January 2017. Contemporaneously with the NZAS negotiations we negotiated financial

arrangements with other generators, providing Meridian with some back-to-back cover that made the amended position with NZAS viable.

Given the aluminium industry's difficult trading environment, and the likelihood that the direction forward on the Electricity Authority's Transmission Pricing Methodology Review will be known this year – having a potentially significant impact on NZAS's cost position – it is shaping up to be a seminal year for our largest customer.

npower

In November Powershop signed an agreement with npower – one of the six largest electricity retailers in the UK – to franchise its operating system and brand material. This is an exciting opportunity for the Powershop team as it seeks to find new markets for its unique retail offering. Work is well underway to complete the software modifications to meet UK regulatory and npower's market requirements. Powershop already has personnel on the ground in the UK and it has been actively hiring new software developers for some time, in anticipation of the deal being concluded.

Hydro conditions

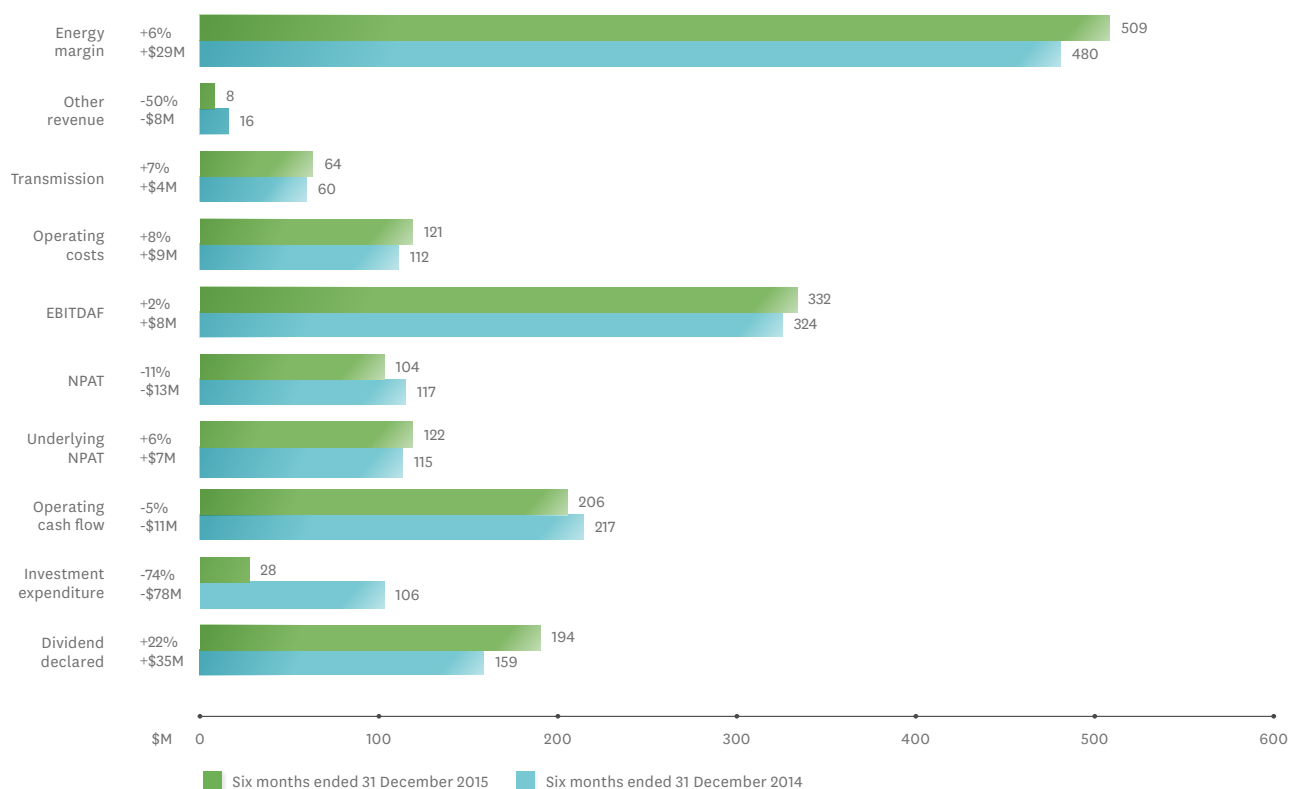
Decent inflows in late January 2016 lifted our catchment storage to near average levels, following a two-month period of lower inflows. Storage in our key Waitaki catchment was 93% of average at the end of January 2016, 12% higher than at the same time last year.

³ Gigawatt hours. One GWh is equivalent to enough electricity for 125 average New Zealand homes for one year.

Summary of Group performance

WE'RE PLEASED TO REPORT A 2% INCREASE IN OUR INTERIM EBITDAF,
WITH BOTH THE NEW ZEALAND AND AUSTRALIAN OPERATIONS
REPORTING HIGHER EARNINGS.

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR



SUMMARY GROUP INCOME STATEMENT

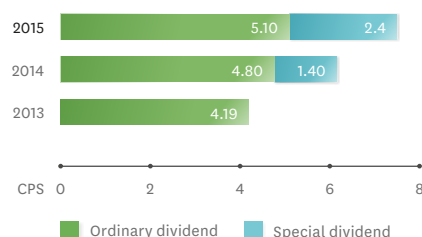
(\$ MILLIONS)	6 MONTHS ENDED 31 DEC 2015	6 MONTHS ENDED 31 DEC 2014	12 MONTHS ENDED 30 JUN 2015
New Zealand energy margin	474	455	900
International energy margin	35	25	54
Other revenue	8	16	25
Energy transmission expense	(64)	(60)	(123)
Employee and other operating expenses	(121)	(112)	(238)
EBITDAF	332	324	618
Depreciation and amortisation	(117)	(117)	(239)
Impairment of assets	-	-	(38)
Gain on sale of assets	-	15	19
Net change in fair value of electricity and other hedges	(32)	-	(1)
Net finance costs	(39)	(40)	(78)
Net change in fair value of treasury instruments	-	(26)	(32)
Net profit before tax	144	156	249
Income tax expense	(40)	(39)	(2)
Net profit after tax	104	117	247

UNDERLYING NPAT RECONCILIATION

(\$ MILLIONS)	6 MONTHS ENDED 31 DEC 2015	6 MONTHS ENDED 31 DEC 2014	12 MONTHS ENDED 30 JUN 2015
Net profit after tax	104	117	247
Underlying adjustments			
<i>Hedging instruments</i>			
Net change in fair value of electricity and other hedges	32	-	1
Net change in fair value of treasury instruments	-	26	32
Premiums paid on electricity options	(7)	(8)	(15)
<i>Assets</i>			
Gain on sale of assets	-	(15)	(19)
Impairment of assets	-	-	38
Total adjustments before tax	25	3	37
<i>Taxation</i>			
Tax effect of above adjustments	(7)	(5)	(13)
Release of capital gains tax provision	-	-	(28)
Tax depreciation on powerhouse structures	-	-	(34)
Underlying net profit after tax	122	115	209

INTERIM DIVIDENDS DECLARED

Six months ended 31 December



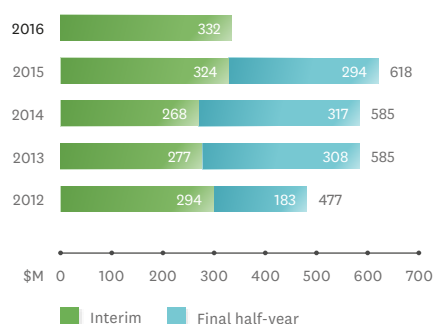
Dividend

Meridian has declared an interim ordinary dividend of 5.1 cents per share (CPS) for the six months ended 31 December 2015⁴, 6% higher than for the same period last year⁵. This interim ordinary dividend will be imputed to 85% of the corporate tax rate.

Meridian has also declared an interim special dividend of 2.4 cents per share (\$62.5 million) under the company's five-year capital management programme to return \$625 million to shareholders. This interim special dividend will not be imputed. This brings the amount distributed since the capital management programme commenced to 4.9 cents per share (\$125 million).

EBITDAF

Financial year ended 30 June



EBITDAF

EBITDAF was \$332 million for the six months ended 31 December 2015, \$8 million (+2%) higher than for the same period last year. New Zealand energy margin was \$19 million (+4%) higher than in the same period last year and this is explained in more detail below.

International energy margin was \$10 million (+40%) higher than in the same period last year, with Powershop Australia's retail sales volumes (163GWh in total) 100GWh (+159%) higher than in the same period last year. By 31 December 2015 Powershop Australia's customer numbers exceeded 63,000, growing more than 15,000 in the previous six months. Australian wholesale and LGC prices firmed during the six months ended 31 December 2015, while wind generation (260GWh in total) was down 5% as a result of some modest wind months and a number of turbines at Mt Mercer being non-operational while a safety issue with transformers was worked through.

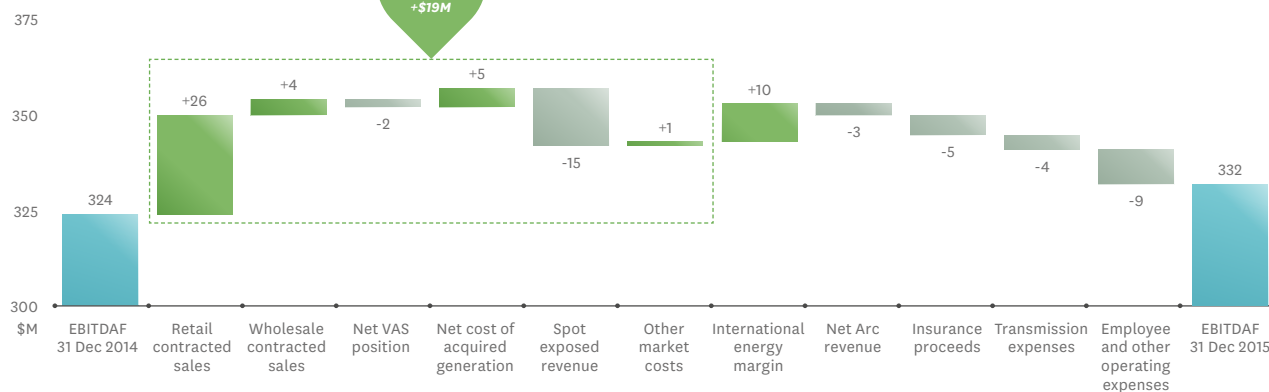
Transmission costs were \$64 million for the six months ended 31 December 2015, \$4 million (+7%) higher than for the same period last year, from higher Transpower charges on the New Zealand inter-island electricity transmission link.

Employee and other operating costs were \$121 million for the six months ended 31 December 2015, \$9 million (+8%) higher than for the same period last year. This included growth investment supporting the expansion of the Powershop Australia and UK businesses and continued customer acquisition pressure from the highly competitive New Zealand market. With the sale of the Arc metering business in late 2014, some costs were moved into operating costs in the current financial year, having previously been recorded in New Zealand energy margin. In addition, some reoccurring costs incurred in the first half of the current financial year were incurred in the second half of the previous financial year.

4 1H FY2016, the six months ended 31 December 2015.

5 1H FY2015, the six months ended 31 December 2014.

MOVEMENT IN EBITDAF



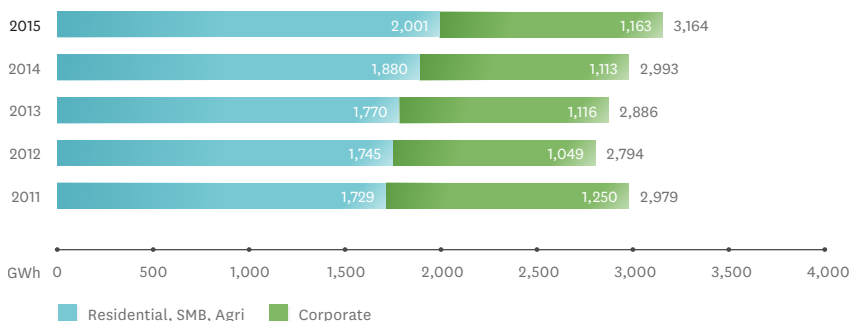
New Zealand energy margin

New Zealand energy margin consists of:

- revenue received from sales to retail customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenue from derivatives sold (contracted sales revenue: \$494 million in 1H FY2016⁴, \$464 million in 1H FY2015⁵);
- revenue from the volume of electricity that Meridian generates that is in excess of the volume required to cover contracted customer sales (spot exposed revenues: -\$7 million in 1H FY2016, +\$8 million in 1H FY2015);
- the cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives (net cost of acquired generation: \$13 million in 1H FY2016, \$18 million in 1H FY2015);
- the net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mighty River Power (net VAS revenue: \$4 million in 1H FY2016, \$6 million in 1H FY2015); and
- other associated market revenue and costs including Electricity Authority levies and ancillary generation revenue such as frequency keeping (costs of \$4 million in 1H FY2016, \$5 million in 1H FY2015).

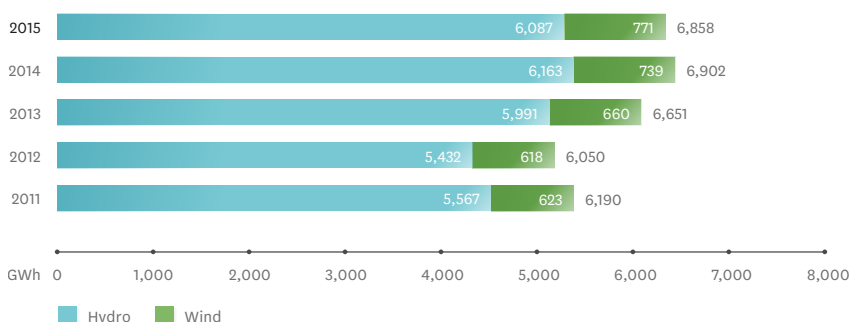
RETAIL SALES VOLUMES

Six months ended 31 December



NEW ZEALAND GENERATION

Six months ended 31 December



New Zealand energy margin for the six months ended 31 December 2015 was \$474 million, \$19 million (+4%) higher than for the same period last year, with retail contracted sales revenue \$26 million (+8%) higher. Meridian's New Zealand customer numbers reduced slightly (-1%) during the six months ended 31 December 2015, as aggressive competition in the New Zealand residential market continued.

Corporate and industrial sales volumes increased +4% in the six months ended 31 December 2015 as Meridian won new business, while the average sales price increased +4%, in line with movements in the forward market.

Residential and small business sales volumes increased +6% in the six months ended 31 December 2015, which included further movement into the small and medium business segment and higher irrigation load. Typically irrigation is lower-priced summer load; however, despite this, average residential and small business prices increased +2%.

Wholesale contracted sales revenue was \$4 million (+2%) higher in the six months ended 31 December 2015. Wholesale derivative sales volumes were higher (+11%) at higher average prices. Sales volumes to the NZAS were at the same level as in the same period last year.

The net cost of acquired generation was \$5 million (-26%) lower in the six months ended 31 December 2015 from a lower average net price, partly offset by higher acquired generation volumes (+26%) compared with the same period last year.

Spot exposed revenue was \$15 million (-200%) lower in the six months ended 31 December 2015. Generation volumes (-1%) and average generation prices (-11%) were both lower than in the same period last year. Higher purchase volumes (+4%) to meet higher contracted sales reduced spot exposed revenue which was partly offset by lower average purchase costs (-12%) compared with the same period last year.

MERIDIAN GENERATION

HYDRO

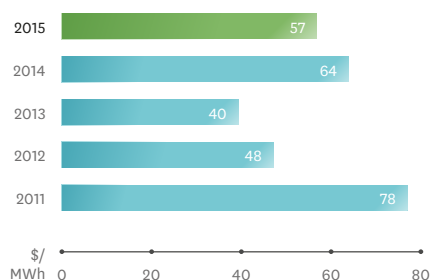
	PLANT CAPACITY MW	SIX MONTHS ENDED 31 DEC 2015 GWh	SIX MONTHS ENDED 31 DEC 2014 GWh	YEAR ENDED 30 JUN 2015 GWh
NEW ZEALAND⁶				
Ōhau A	264	542	630	1,277
Ōhau B	212	451	522	1,023
Ōhau C	212	449	519	1,015
Benmore	540	1,079	1,260	2,390
Aviemore	220	448	521	985
Waitaki	90	234	267	507
Manapōuri	800	2,884	2,444	4,764
Total hydro generation	2,338	6,087	6,163	11,911

WIND

	PLANT CAPACITY MW	SIX MONTHS ENDED 31 DEC 2015 GWh	SIX MONTHS ENDED 31 DEC 2014 GWh	YEAR ENDED 30 JUN 2015 GWh
NEW ZEALAND⁷				
Te Uku	64	121	121	218
Te Āpiti	91	153	163	293
Mill Creek	60	132	92	205
West Wind	143	268	272	529
White Hill	58	97	91	176
Total New Zealand wind	416	771	739	1,421
AUSTRALIA⁸				
Mt Millar	70	83	89	167
Mt Mercer	131	177	184	352
Total Australia wind	201	260	273	519
Total wind generation	617	1,031	1,012	1,940

MERIDIAN'S AVERAGE GENERATION PRICE

Six months ended 31 December



⁶ Includes Meridian's own-use generation volumes.

⁷ Includes Meridian's own-use generation volumes.

⁸ After the application of the marginal loss factor prescribed by the Australian Energy Market Operator.

Net profit after taxation

NPAT was \$104 million for the six months ended 31 December 2015, \$13 million (-11%) lower than for the same period last year. Higher EBITDAF was offset by changes in fair value movements in electricity hedges and treasury instruments and gains recognised last year from the sale of Meridian's metering business and farm assets.

Fair value movements in electricity hedges and treasury instruments reduced net profit before tax by \$32 million in the six months ended 31 December 2015, compared with a \$26 million reduction in the same period last year. Typically these movements relate to non-cash changes in the carrying value of derivative instruments and are influenced by changes in forward prices and rates on these derivative instruments.

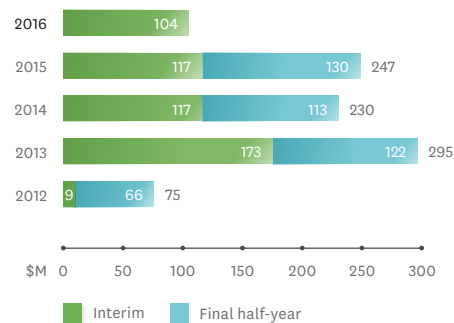
During the six months ended 31 December 2015, Meridian made changes to the treatment of Australian LGCs and associated forward sales used to cover some of the company's future LGC production. Rising LGC prices following the renegotiation of the Renewable Energy Target, and then the changes in political leadership in 2015, gave rise to unrealised fair value losses on some forward contracts.

Net financing costs were \$1 million (-3%) lower than in the same period last year, reflecting lower interest on borrowings during the six months ended 31 December 2015. Meridian maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's underlying NPAT (reconciliation on page 6) was \$122 million for the six months ended 31 December 2015. This was \$7 million (+6%) higher than for the same period last year, reflecting higher EBITDAF, lower premiums paid on electricity options and lower net financing costs, partly offset by higher income tax expense.

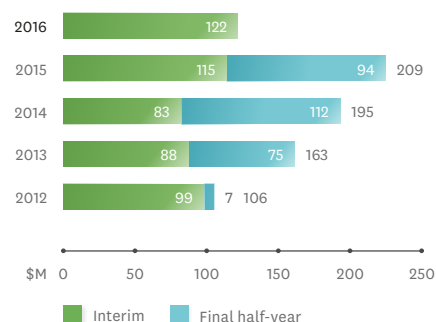
NET PROFIT AFTER TAX

Financial year ended 30 June



UNDERLYING NPAT

Financial year ended 30 June



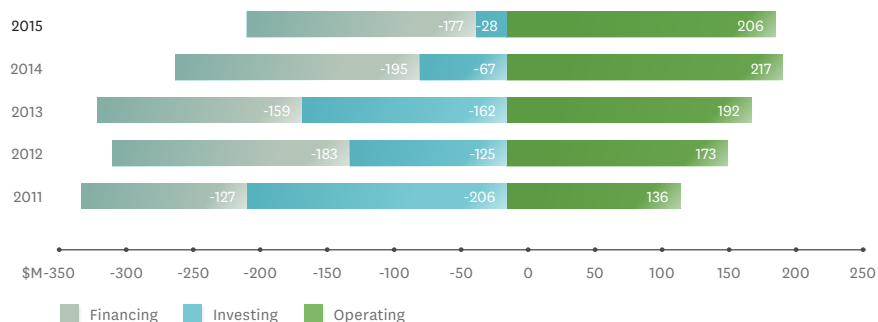
Cash flows

Operating cash flows were \$206 million for the six months ended 31 December 2015, \$11 million (-5%) lower than for the same period last year through the combined impacts of EBITDAF and working capital movements. The latter reflects growth in Powershop Australia and inventory impacts of changes to the treatment of Australian LGCs.

With the final completion of the Mill Creek and Mt Mercer wind farms in the first half of the previous financial year, investment spend in the six months ended 31 December 2015 reflected only stay-in-business capital expenditure.

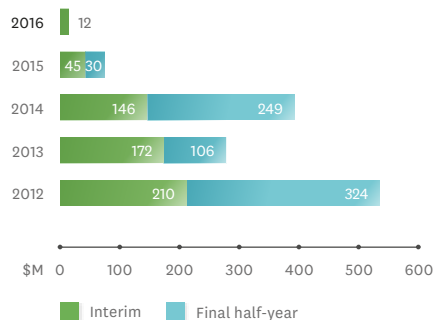
GROUP CASH FLOWS

Six months ended 31 December



PROPERTY, PLANT & EQUIPMENT ADDITIONS

Financial year ended 30 June



NET TANGIBLE ASSETS PER SECURITY

Net tangible asset per security

31 DEC 2015
(NZ CENTS)

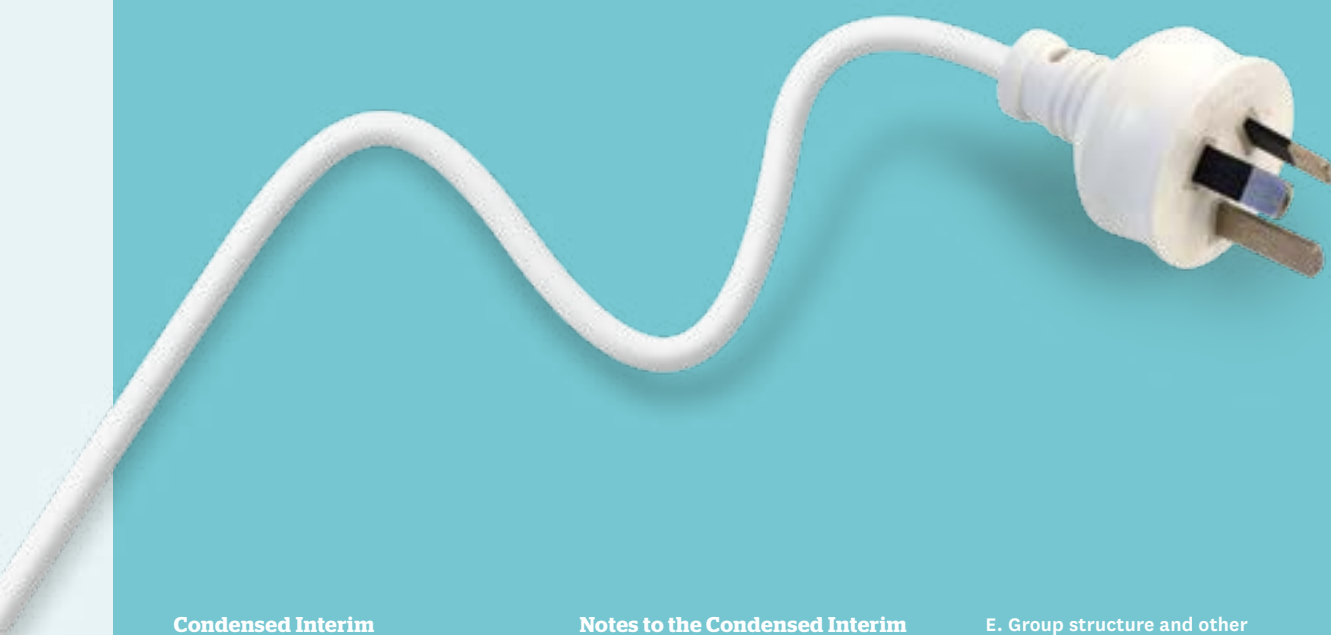
31 DEC 2014
(NZ CENTS)

167

168

The numbers

CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTHS ENDED 31 DECEMBER 2015



Condensed Interim Financial Statements

Income Statement 11

The income earned and operating expenditure incurred by the Meridian Group during the six months

Comprehensive Income Statement 11

Items of income and operating expense that are not recognised in the income statement and hence taken to reserves in equity

Balance Sheet 12

A summary of the Meridian Group assets and liabilities at the end of the six months

Changes in Equity 13

Components that make up the capital and reserves of the Meridian Group and the changes of each component during the six months

Cash Flows 15

Cash generated and used by the Meridian Group

Notes to the Condensed Interim Financial Statements

About this report 16

Significant matters in the six months 17

A. Financial performance

A1. Segment Performance	18
A2. Income	20
A3. Expenses	20
A4. Taxation	21

B. Assets used to generate and sell electricity

B1. Property, Plant and Equipment	22
B2. Intangible Assets	22

C. Managing funding

C1. Capital Management	23
C2. Earnings per Share	23
C3. Dividends	24
C4. Borrowings	24

D. Financial instruments

D1. Financial Instruments	25
---------------------------------	----

E. Group structure and other

E1. Group Structure	27
E2. Joint Ventures	27
E3. Contingent Assets and Liabilities	27
E4. Subsequent Events	27
E5. Changes in Financial Reporting Standards	27

Auditor's Review Report

Independent Auditor's Review Report	28
---	----

KEY



KEY JUDGEMENTS
AND ESTIMATES



SUBSEQUENT EVENT

Income Statement For the six months ended 31 December 2015

	NOTE	UNAUDITED	
		2015 \$M	2014 \$M
Operating revenue	A2	1,441	1,333
Operating expenses	A3	(1,109)	(1,009)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		332	324
Depreciation and amortisation	B1, B2	(117)	(117)
Gain on sale of assets	A2	-	15
Net change in fair value of electricity and other hedges		(32)	-
Operating profit		183	222
Finance costs	A3	(40)	(45)
Interest income		1	5
Net change in fair value of treasury instruments		-	(26)
Net profit before tax		144	156
Income tax expense	A4	(40)	(39)
Net profit after tax attributed to the shareholders of the parent company		104	117
Earnings per share (EPS) attributed to ordinary equity holders of the parent company			
		Cents	Cents
Basic and diluted EPS	C2	4.1	4.6

Comprehensive Income Statement For the six months ended 31 December 2015

	UNAUDITED	
	2015 \$M	2014 \$M
Net profit after tax	104	117
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Net loss on cash flow hedges	(3)	(1)
Reclassify foreign currency translation reserve	-	(1)
Exchange differences arising from translation of foreign operations	(18)	(1)
Income tax on the above items	1	-
Other comprehensive income for the year, net of tax	(20)	(3)
Total comprehensive income for the year, net of tax, attributed to the shareholders of the parent company	84	114

The accompanying notes on pages 16 to 27 form part of these condensed interim financial statements

Balance Sheet *As at 31 December 2015*

	NOTE	UNAUDITED		AUDITED
		31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Current assets				
Cash and cash equivalents		69	231	69
Trade receivables		220	217	191
Financial instruments	D1	79	27	48
Assets classified as held for sale		7	7	7
Other assets		18	25	19
Total current assets		393	507	334
Non-current assets				
Property, plant and equipment	B1	6,970	6,853	7,097
Intangible assets	B2	43	46	47
Deferred tax		34	20	36
Financial instruments	D1	188	123	147
Total non-current assets		7,235	7,042	7,327
Total assets		7,628	7,549	7,661
Current liabilities				
Payables and accruals		219	226	192
Employee entitlements		11	7	16
Current portion of term borrowings	C4	211	134	213
Finance lease payable		1	1	1
Financial instruments	D1	42	25	34
Current tax payable		11	41	22
Total current liabilities		495	434	478
Non-current liabilities				
Term borrowings	C4	989	1,053	863
Deferred tax		1,384	1,344	1,400
Provisions		8	7	8
Finance lease payables		48	47	51
Financial instruments	D1	146	133	101
Term payables		34	14	12
Total non-current liabilities		2,609	2,598	2,435
Total liabilities		3,104	3,032	2,913
Net assets		4,524	4,517	4,748
Shareholders' equity				
Share capital		1,596	1,597	1,597
Reserves		2,928	2,920	3,151
Total shareholders' equity		4,524	4,517	4,748

For and on behalf of the Board of Directors who authorised the issue of the condensed interim financial statements on 23 February 2016.



CHRIS MOLLER, Board Chair



JAN DAWSON, Chair Audit & Risk Committee

The accompanying notes on pages 16 to 27 form part of these condensed interim financial statements

Changes in Equity For the six months ended 31 December 2015

AUDITED	NOTE	SHARE CAPITAL	SHARE OPTION RESERVE	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	SHARE- HOLDERS' EQUITY
Balance at 1 July 2014		1,599	-	3,074	(23)	(1)	(15)	4,634
Net profit for the period		-	-	-	-	-	247	247
Other comprehensive income								
Asset revaluation		-	-	329	-	-	-	329
Net loss on cash flow hedges		-	-	-	-	(2)	-	(2)
Reclassify foreign currency translation reserve		-	-	-	(2)	-	-	(2)
Exchange differences from translation of foreign operations		-	-	-	20	-	-	20
Income tax relating to other comprehensive income		-	-	(92)	-	-	-	(92)
Total other comprehensive income, net of tax		-	-	237	18	(2)	-	253
Total comprehensive income for the year, net of tax		-	-	237	18	(2)	247	500
Share-based payment transactions		-	1	-	-	-	-	1
Own shares acquired		(2)	-	-	-	-	-	(2)
Dividends paid		-	-	-	-	-	(385)	(385)
Balance at 30 June 2015 and 1 July 2015		1,597	1	3,311	(5)	(3)	(153)	4,748
UNAUDITED								
Net profit for the period		-	-	-	-	-	104	104
Other comprehensive income								
Net loss on cash flow hedges		-	-	-	-	(3)	-	(3)
Exchange differences from translation of foreign operations		-	-	-	(18)	-	-	(18)
Income tax relating to other comprehensive income		-	-	-	-	1	-	1
Total other comprehensive income, net of tax		-	-	-	(18)	(2)	-	(20)
Total comprehensive income for the year, net of tax		-	-	-	(18)	(2)	104	84
Own shares acquired		(1)	-	-	-	-	-	(1)
Dividends paid	C3	-	-	-	-	-	(307)	(307)
Balance at 31 December 2015		1,596	1	3,311	(23)	(5)	(356)	4,524

The accompanying notes on pages 16 to 27 form part of these condensed interim financial statements

Changes in Equity continues *For the six months ended 31 December 2015*

UNAUDITED	NOTE	SHARE CAPITAL	SHARE OPTION RESERVE	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	SHARE- HOLDERS' EQUITY
Balance at 1 July 2014		1,599	-	3,074	(23)	(1)	(15)	4,634
Net profit for the period		-	-	-	-	-	117	117
Other comprehensive income								
Net loss on cash flow hedges		-	-	-	-	(1)	-	(1)
Reclassify foreign currency translation reserve		-	-	-	(1)	-	-	(1)
Exchange differences from translation of foreign operations		-	-	-	(1)	-	-	(1)
Total other comprehensive income, net of tax		-	-	-	(2)	(1)	-	(3)
Total comprehensive income for the year, net of tax		-	-	-	(2)	(1)	117	114
Own shares acquired		(2)	-	-	-	-	-	(2)
Dividends paid	C3	-	-	-	-	-	(229)	(229)
Balance at 31 December 2014		1,597	-	3,074	(25)	(2)	(127)	4,517

The accompanying notes on pages 16 to 27 form part of these condensed interim financial statements

Cash Flows *For the six months ended 31 December 2015*

	UNAUDITED	
	2015 \$M	2014 \$M
Operating activities		
Receipts from customers	1,409	1,002
Interest received	1	5
	1,410	1,007
Payments to suppliers and employees	(1,105)	(686)
Interest paid	(34)	(40)
Income tax paid	(65)	(64)
	(1,204)	(790)
Operating cash flows	206	217
Investment activities		
Sale of property, plant and equipment	-	15
Sale of other assets	-	24
	-	39
Purchase of property, plant and equipment	(20)	(101)
Purchase of intangible assets	(8)	(4)
Purchase of investments	-	(1)
	(28)	(106)
Investing cash flows	(28)	(67)
Financing activities		
Proceeds from borrowings	270	204
	270	204
Shares purchased for long-term incentive	(1)	(1)
Dividends	(307)	(229)
Term borrowings repaid	(139)	(169)
	(447)	(399)
Financing cash flows	(177)	(195)
Net increase/(decrease) in cash and cash equivalents	1	(45)
Cash and cash equivalents at beginning of the six months	69	276
Effect of exchange rate changes on net cash	(1)	-
Cash and cash equivalents at end of the six months	69	231

The accompanying notes on pages 16 to 27 form part of these condensed interim financial statements

About this report

IN THIS SECTION

The summary condensed notes to the interim financial statements include information that is considered significant and relevant to assist the reader in understanding changes in Meridian's financial position or performance. Information is considered relevant if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Meridian;
- it helps to explain changes in Meridian's business; or
- it relates to an aspect of Meridian's operations that is important to future performance.

Meridian Energy Limited is a for profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is 33 Customhouse Quay, Wellington. Meridian Energy Limited is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a Mixed Ownership Company, majority owned by Her Majesty the Queen in Right of New Zealand, it is bound by the requirements of the Public Finance Act 1989.

These unaudited condensed interim financial statements for the six months ended 31 December 2015 have been prepared:

- using Generally Accepted Accounting Practice (NZ GAAP) in New Zealand, accounting policies consistent with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS), and in accordance with IAS 34: *Interim Financial Reporting* and NZ IAS 34: *Interim Financial Reporting*, as appropriate for a for profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities; and
- in New Zealand dollars. The principal functional currency of international subsidiaries is Australian dollars, and the closing rate at 31 December 2015 being 0.9382 (31 December 2014: 0.9547, 30 June 2015: 0.8775).

All values are rounded to millions (\$M) unless otherwise stated.

Accounting policies

The accounting policies and methods of computation set out in the financial statements for the year ended 30 June 2015 have been applied consistently to all periods presented in the condensed interim financial statements. The application of new or amended standards has no material impact on the amounts recognised in the condensed interim financial statements.

Judgements and estimates

Key judgements and estimates have not changed from those used in preparing the financial statements for the year ended 30 June 2015, except as set out under significant matters in the six months on page 17.

Basis of consolidation

The condensed interim Group financial statements comprise the financial statements of Meridian Energy Limited and its subsidiaries and controlled entities.

In preparing the condensed interim consolidated financial statements, all material intra-group transactions, balances, income and expenses have been eliminated.

Significant matters in the six months

IN THIS SECTION

This section outlines significant matters which have impacted Meridian's financial performance and an explanation of non-GAAP measures used within the notes to the condensed interim financial statements.

Electricity supply agreement with NZAS

On 31 July 2015, Meridian and its largest customer, New Zealand Aluminium Smelters (NZAS), agreed new terms for the supply of 572MW of electricity. The agreement is for the period up to 31 December 2030, with termination rights (requiring 12 months' notice) from 1 January 2017. The contract price per MWh increases for the full 572MW to a blend of the price agreed in 2013 for 400MW and a more market-related price for the additional 172MW. The revised terms are significantly different from the 2013 agreement, therefore for accounting purposes that agreement is extinguished and the 2015 agreement is recognised as a new agreement.

The 2015 agreement has been recognised in these financial statements in a manner consistent with fixed price supply agreements with other industrial customers. Revenue is recognised as electricity sales revenue in the income statement and the estimated future cash flows are included in the fair value of generation structures and plant assets on the balance sheet. This recognition reflects the fact that a number of variables within the agreement are consistent with a supply agreement and are not features of an electricity financial contract or other forms of financial contract, such as interest rate swaps and foreign exchange contracts. The agreement includes: requirements for Meridian to generate electricity from the Manapōuri power station and NZAS to consume electricity within a specified profile; termination rights; and Meridian's obligation to provide wholesale market security for the 572MW sold to NZAS.

The recognition of this new agreement has no impact on the reported financial performance and position in the period.

Non-GAAP measures

Meridian refers to non-GAAP financial measures within these condensed interim financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures. As these measures are not defined by NZ GAAP, IFRS or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described below, including page references for reconciliations to the condensed interim financial statements.

EBITDAF

Earnings before interest, tax, depreciation, amortisation, changes in fair value of financial instruments, impairments, gains and losses on sale of assets and joint venture equity accounted earnings.

EBITDAF is reported in the income statement, allowing the evaluation of Meridian's operating performance without the non-cash impacts of depreciation, amortisation, fair value movements of hedging instruments and other one-off and/or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows a better comparison of operating performance with that of other electricity industry companies than GAAP measures that include these items.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of the wholesale electricity market and the broadly offsetting impact of the wholesale prices on the cost of Meridian's retail electricity purchases and revenue from generation. Meridian uses the measure of energy margin within Meridian's segmental financial performance in note A1 Segment Performance on page 18.

A. Financial performance

IN THIS SECTION

This section explains the financial performance of Meridian, providing additional information about individual items in the income statement and an analysis of Meridian's performance for the six months by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 Segment Performance

Meridian's operating segments have been determined according to the nature of the products and services and the locations where they are sold. The Chief Executive (the chief operating decision-maker) monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction. The Chief Executive considers the business from the perspective of three operating segments: Wholesale, Retail and Australia.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (see page 17 for a definition of these measures) before unallocated central corporate expenses.

Balance sheet items are not reported to the Chief Executive at an operating segment level.

The accounting policies of the Group have been consistently applied to the operating segments.

A description of the operating segments follows:

Wholesale segment

Includes activity associated with Meridian's New Zealand:

- generation of electricity and its sale into the wholesale electricity market;
- purchase of electricity from the wholesale electricity market and its sale to the Retail segment and to large industrial customers, including NZAS which represents the equivalent of 37% (31 December 2014: 40%) of Meridian's New Zealand generation production; and
- development of renewable energy generation opportunities.

Retail segment

Includes activity associated with the retailing of electricity and complementary products through its two brands, Meridian and Powershop in New Zealand. Electricity sold to residential, business and industrial customers on fixed price, variable volume contracts is purchased from the Wholesale segment at an average annual fixed price of \$80-\$85 per MWh and electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices. The transfer price is set in a similar manner to transactions with third parties.

Australian segment

Includes activity associated with the generation and retailing of electricity in Australia.

Unallocated

Includes activities and centrally based costs that are not directly allocated to other segments.

A1 Segment Performance *continued*

6 MONTHS ENDED 31 DEC	UNAUDITED											
	WHOLESALE		RETAIL		AUSTRALIA		UNALLOCATED		INTER-SEGMENT		TOTAL	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Contracted sales, net of distribution costs	163	159	331	305	18	7	-	-	-	-	512	471
Virtual asset swap margins	4	6	-	-	-	-	-	-	-	-	4	6
Net cost of acquired generation	(13)	(18)	-	-	-	-	-	-	-	-	(13)	(18)
Meridian generation spot revenue	391	443	-	-	28	21	-	-	-	-	419	464
Inter-segment electricity sales	263	235	-	-	-	-	-	-	(263)	(235)	-	-
Cost to supply contracted sales	(403)	(427)	(258)	(243)	(11)	(3)	-	-	263	235	(409)	(438)
Other market costs	(4)	(4)	-	(1)	-	-	-	-	-	-	(4)	(5)
Energy margin	401	394	73	61	35	25	-	-	-	-	509	480
Other revenue	3	3	6	9	-	-	1	26	(2)	(22)	8	16
Energy transmission expense	(62)	(58)	-	-	(2)	(2)	-	-	-	-	(64)	(60)
Gross margin	342	339	79	70	33	23	1	26	(2)	(22)	453	436
Employee expenses	(14)	(13)	(17)	(16)	(4)	(3)	(11)	(12)	-	-	(46)	(44)
Other operating expenses	(24)	(24)	(31)	(28)	(12)	(8)	(10)	(9)	2	1	(75)	(68)
EBITDAF	304	302	31	26	17	12	(20)	5	-	(21)	332	324
Depreciation and amortisation											(117)	(117)
Gain on sale of assets											-	15
Net change in fair value of electricity and other hedges											(32)	-
Operating profit											183	222
Finance costs											(40)	(45)
Interest income											1	5
Net change in fair value of treasury instruments											-	(26)
Net profit before tax											144	156
Income tax expense											(40)	(39)
Net profit after tax											104	117
<i>Reconciliation of energy margin</i>												
Electricity sales revenue	1,019	948	607	567	70	37	-	-	(263)	(235)	1,433	1,317
Electricity expenses	(618)	(554)	(293)	(272)	(16)	(5)	-	-	263	235	(664)	(596)
Electricity distribution expenses	-	-	(241)	(234)	(19)	(7)	-	-	-	-	(260)	(241)
Energy margin	401	394	73	61	35	25	-	-	-	-	509	480

A2 Income

6 MONTHS ENDED 31 DEC OPERATING REVENUE	UNAUDITED	
	2015 \$M	2014 \$M
Electricity sales revenue	1,433	1,317
Electricity related service revenue	6	8
Other revenue	2	8
	1,441	1,333
TOTAL REVENUE BY GEOGRAPHIC AREA		
New Zealand	1,371	1,296
Australia	70	37
Total operating revenue	1,441	1,333
OTHER INCOME		
Gain on sale of assets		
Gain on sale of property, plant and equipment	-	4
Gain/(loss) on sale of subsidiaries	-	10
Gain on sale of investments	-	1
	-	15

Electricity sales revenue

Revenue received or receivable from:

- electricity generated and sold into wholesale electricity markets;
- electricity sold to retail customers;
- the fixed price leg of electricity hedges sold; and
- the floating price leg of electricity hedges purchased.

Electricity sales revenue is influenced by the quantity of electricity generated, the wholesale spot price and the volume and price of electricity sold to residential, business, industrial and wholesale customers. Revenue is recognised at the time of supply.

Electricity-related service revenue

Revenue received or receivable from the sale of complementary products and services to retail customers and the provision of dam maintenance services.

Other revenue

Includes revenue from non-core activities such as finance leases, land leases and farming revenue.

A3 Expenses

6 MONTHS ENDED 31 DEC OPERATING EXPENSES	UNAUDITED	
	2015 \$M	2014 \$M
Electricity expenses	664	596
Electricity distribution expenses	260	241
Electricity transmission expenses	64	60
Employee expenses	46	44
Other expenses	75	68
	1,109	1,009
FINANCE COSTS		
Interest on borrowings	37	42
Interest on finance lease payable	3	3
	40	45

Electricity expenses

The cost of electricity and related services from:

- purchases from wholesale markets to supply customers;
- the fixed cost of electricity hedges purchased to supplement Meridian's electricity generation; and
- the variable cost of electricity hedges sold.

Electricity distribution expenses

The cost of distribution companies transporting electricity between the national grid and customers' properties.

Electricity transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Employee expenses

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

A4 Taxation

6 MONTHS ENDED 31 DEC INCOME TAX EXPENSE	UNAUDITED	
	2015 \$M	2014 \$M
Total current tax expense	56	48
Deferred tax	(16)	(9)
Total income tax	40	39
<i>Reconciliation to profit before tax</i>		
Profit before tax	144	156
Income tax at applicable rates	40	43
Expenditure not deductible for tax	-	(4)
Income tax expense	40	39

Income tax expense

Income tax expense is the income tax assessed on taxable profit for the period. Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at balance date, being 28% for New Zealand and 30% for Australia.

Income tax expense components are current income tax and deferred tax.

B. Assets used to generate and sell electricity

IN THIS SECTION

This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenue. In this section of the summary notes there is information about:

- property, plant and equipment; and
- intangible assets.

B1 Property, Plant and Equipment

POSITION AS AT	UNAUDITED		AUDITED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Opening net book value	7,097	6,929	6,929
Additions	12	45	75
Transfers - intangible assets	-	-	(6)
Transfers - held for sale assets	-	(2)	(3)
Disposals	(2)	(1)	(6)
Foreign currency exchange rate movements	(30)	(13)	30
Generation structures and plant revaluation	-	-	296
Depreciation expense	(107)	(105)	(218)
Closing net book value	6,970	6,853	7,097

Recognition and measurement

Generation structures and plant assets (including land and buildings) are held on the balance sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Meridian revalued its generation structure and plant assets at 30 June 2015 using an independent valuer, resulting in a net increase of \$296 million in the carrying value of this asset class. A review and assessment of key valuation inputs included in that valuation has been undertaken, indicating that the carrying value represents fair value.

B2 Intangible Assets

POSITION AS AT	UNAUDITED		AUDITED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Opening net book value	47	54	54
Additions	6	4	10
Transfers - property, plant and equipment	-	-	6
Impairment	-	-	(2)
Amortisation expense	(10)	(12)	(21)
Closing net book value	43	46	47

C. Managing funding

IN THIS SECTION

This section explains how Meridian manages its capital structure and working capital, the various funding sources and how dividends are returned to shareholders. In this section of the summary notes there is information about:

- equity and dividends; and
- net debt.

C1 Capital Management

Capital risk management objectives

Meridian's objectives when managing capital are to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimises the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

Meridian regularly monitors its capital requirements using various measures that consider debt facility financial covenants and credit ratings. The key measures being net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard and Poor's, which is unchanged at BBB+.

Meridian is in full compliance with debt facility financial covenants.

POSITION AS AT	UNAUDITED		AUDITED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Share capital	1,596	1,597	1,597
Retained earnings	(356)	(127)	(153)
Other reserves	3,284	3,047	3,304
	4,524	4,517	4,748
Drawn borrowings	1,112	1,173	991
Finance lease payable	49	48	52
Less: cash and cash equivalents	(69)	(231)	(69)
	1,092	990	974
Net capital	5,616	5,507	5,722

C2 Earnings per Share

6 MONTHS ENDED 31 DEC BASIC AND DILUTED EPS	UNAUDITED	
	2015	2014
Profit after tax attributable to shareholders of the parent company (\$M)	104	117
Weighted average number of shares used in the calculation of EPS	2,563,000,000	2,563,000,000
Basic and diluted EPS (cents per share [CPS])	4.1	4.6

C3 Dividends

6 MONTHS ENDED 31 DEC DIVIDENDS DECLARED & PAID	UNAUDITED	
	2015 \$M	2014 \$M
Final ordinary and special dividend 2015: 12.0cps (2014: 8.8cps)	307	229
Total dividends paid	307	229
DIVIDENDS DECLARED AND NOT RECOGNISED AS A LIABILITY		
Interim ordinary dividend 2015: 5.1cps (2014: 4.8cps)	131	123
Interim special dividend 2015: 2.4cps (2014: 1.4cps)	63	36

Dividend policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short-term and medium-term economic, market and hydrology conditions.



Subsequent event - dividend declared

On 23 February 2016 the Board declared a partially imputed interim ordinary dividend of 5.1 cents per share. Additionally the Board declared an un-imputed special dividend of 2.4 cents per share.

C4 Borrowings

POSITION AS AT	CURRENCY BORROWED IN	UNAUDITED						AUDITED		
		31 DEC 2015			31 DEC 2014			30 JUN 2015		
		DRAWN FACILITY AMOUNT	TRANSACTION COSTS & FAIR VALUE ADJUSTMENT	CARRYING AMOUNT	DRAWN FACILITY AMOUNT	TRANSACTION COSTS & FAIR VALUE ADJUSTMENT	CARRYING AMOUNT	DRAWN FACILITY AMOUNT	TRANSACTION COSTS & FAIR VALUE ADJUSTMENT	CARRYING AMOUNT
GROUP (NZ\$M)										
Current borrowings										
Unsecured borrowings	NZD	62	-	62	135	(1)	134	60	(1)	59
Unsecured borrowings	USD	146	3	149	-	-	-	146	8	154
Total current borrowings		208	3	211	135	(1)	134	206	7	213
Non-current borrowings										
Unsecured borrowings	NZD	470	(1)	469	280	(1)	279	339	(1)	338
Unsecured borrowings	AUD	-	-	-	179	(1)	178	-	-	-
Unsecured borrowings	USD	434	86	520	579	17	596	446	79	525
Total non-current borrowings		904	85	989	1,038	15	1,053	785	78	863
Total borrowings		1,112	88	1,200	1,173	14	1,187	991	85	1,076

Meridian has committed bank facilities of \$630 million, of which \$325 million was undrawn at 31 December 2015. The expiry dates of these facilities range from January 2017 to April 2026.

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amounts, net of transaction costs paid. Borrowings that have not been designated as hedged items (all borrowings with the exception of USD borrowings) are subsequently stated at amortised cost using the effective interest method. Borrowings that have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. The total carrying value of all borrowings is considered to approximate fair value. This is classified as a level 2 fair value (a definition of the levels is included in note D1 Financial instruments).

D. Financial instruments

IN THIS SECTION

In this section of the summary notes there is information:

- analysing the financial (hedging) instruments used to manage risk; and
- outlining Meridian's fair value techniques and key inputs.

D1 Financial Instruments

Fair value of hedging financial instruments

The recognition and measurement of hedging financial instruments requires management estimation and judgement. The table below shows the fair value of financial instrument

assets and liabilities, grouped within a three-level fair value hierarchy (see below for detail) based on the observability of valuation inputs. There have been no transfers between levels in respect of these assets and liabilities.

POSITION AS AT	UNAUDITED				UNAUDITED				AUDITED			
	31 DEC 2015				31 DEC 2014				30 JUN 2015			
\$M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial instruments – assets												
Electricity hedges	44	-	127	171	4	-	110	114	14	-	89	103
Interest rate swaps	-	12	-	12	-	6	-	6	-	8	-	8
Foreign exchange contracts	-	-	-	-	-	1	-	1	-	-	-	-
Cross-currency interest rate swaps	-	84	-	84	-	29	-	29	-	84	-	84
Total	44	96	127	267	4	36	110	150	14	92	89	195
<i>Current</i>				79				27				48
<i>Non-current</i>				188				123				147
Financial instruments – liabilities												
Electricity hedges	9	-	83	92	7	-	54	61	13	-	29	42
Interest rate swaps	-	96	-	96	-	84	-	84	-	93	-	93
Foreign exchange contracts	-	-	-	-	-	1	-	1	-	-	-	-
Cross-currency interest rate swaps	-	-	-	-	-	12	-	12	-	-	-	-
Total	9	96	83	188	7	97	54	158	13	93	29	135
<i>Current</i>				42				25				34
<i>Non-current</i>				146				133				101

- **Level 1 inputs** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Electricity hedges traded on the ASX are classified as level 1.
- **Level 2 inputs** – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in level 1. Interest rate swaps, cross-currency interest rate swaps and foreign exchange contracts have level 2 inputs and are valued using a discounted cash flow valuation technique.
- **Level 3 inputs** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below provides a summary of the movements in the fair value of level 3 financial instruments:

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS	UNAUDITED		AUDITED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Opening balance	60	27	27
Hedges acquired	29	28	29
Hedges sold	(1)	-	-
Remeasurement and settlements	(44)	1	4
Closing balance	44	56	60

D1 Financial Instruments *continued*

Fair value technique and key inputs

In estimating the fair value of an asset or a liability, Meridian uses market-observable data to the extent it is available. Where observable inputs are not available, Meridian engages third party experts to support the establishment of appropriate valuation techniques and inputs to valuation models. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (discounted cash flows), three key types of inputs and assumptions are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market interest rates and published forward foreign exchange rates;
- discount rates based on the forward interest rate swap curve adjusted for counterparty risk; and
- contracts run their full term.

The table below describes the additional key inputs and techniques used in the valuation of level 3 financial instruments:

FINANCIAL ASSET OR LIABILITY	DESCRIPTION OF INPUT	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF INPUT TO FAIR VALUE
Electricity hedges, valued using discounted cash flows	<p>Price. Where quoted prices are not available or not relevant (i.e. for long-dated contracts), Meridian's best estimate of long-term forward wholesale electricity prices is used. This is based on a fundamental analysis of expected demand and the cost of new supply.</p> <p>Other factors, which include:</p> <ul style="list-style-type: none"> • the calibration factor applied to forward price curves as a consequence of initial recognition differences. 	\$82MWh to \$105MWh (in real terms), excludes observable ASX prices.	An increase in forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in forward wholesale electricity price has the opposite effect.

Initial recognition difference

An initial recognition difference arises when the modelled value of an electricity hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the income statement over the remaining life of the contract.

POSITION AS AT MOVEMENTS IN RECALIBRATION DIFFERENCES ARISING FROM ELECTRICITY HEDGING	UNAUDITED		AUDITED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Opening difference	964	912	912
Initial differences on new hedges	(114)	15	15
Volumes expired and amortised	(896)	(30)	(65)
Recalibration for future price estimates and time	1	75	102
Closing difference	(45)	972	964

Level 3 analysis

The following is a summary of how financial instruments that have been classified as level 3 (certain electricity hedges) have been recognised in the income statement:

- Fair value movements recognised in the net change in fair value of electricity-related hedges in 1H FY2016 are \$(46) million (HY2015: \$1 million).
- Of the above, \$(45) million (HY2015: \$(4) million) relates to electricity-related hedges held on the balance sheet at 31 December.
- Electricity-related hedges settled in HY2016 and recognised in operating revenue and operating expenses are \$1 million (HY2015: \$(44) million).

E. Group structure and other

E1 Group Structure

On 13 October 2015 Powershop UK Limited was incorporated as a subsidiary of the Group. This company is the franchise licence holder for the Powershop brand and technology platform in the UK.

E2 Joint Ventures

NAME OF ENTITY	COUNTRY AND DATE OF INCORPORATION	PRINCIPAL ACTIVITY	VOTING RIGHTS			INTEREST HELD			CARRYING VALUE		
			UNAUDITED		AUDITED	UNAUDITED		AUDITED	UNAUDITED		AUDITED
			31 DEC 2015	31 DEC 2014	30 JUN 2015	31 DEC 2015	31 DEC 2014	30 JUN 2015	31 DEC 2015	31 DEC 2014	30 JUN 2015
EDDI Project JV	New Zealand, 01/05/12	Dam management systems	50%	50%	50%	50%	50%	50%	-	-	-
Hunter Downs Development Company	New Zealand, 01/07/13	Irrigation development	50%	50%	50%	63%	68%	65%	-	-	-

E3 Contingent Assets and Liabilities

There were no contingent assets or liabilities at 31 December 2015 (31 December 2014: nil, 30 June 2015: nil).

E4 Subsequent Events

There are no subsequent events other than dividends declared on 23 February 2016. Refer to note C3 Dividends for further details.

E5 Changes in Financial Reporting Standards

In the current period Meridian has adopted all mandatory new and amended Standards. The application of these new and amended Standards has had no material impact on the amounts recognised or disclosed in the financial statements.

Meridian is not aware of any Standards in issue but not yet effective (other than those listed below) that would materially affect the amounts recognised or disclosed in the financial statements. Meridian intends to adopt when they become mandatory.

NZ IFRS 15 *Revenue from Contracts with Customers* (effective 1 January 2018) – NZ IFRS 15 will be effective in Meridian's 2019 financial year. The full impact of this Standard has not yet been determined.

NZ IFRS 9 *Financial Instruments* (effective 1 January 2018) – NZ IFRS 9 will be effective in Meridian's 2019 financial year. This Standard requires all financial assets to be measured at fair value, unless the entity's business model is to hold the assets to collect contractual cash flows and contractual terms give rise to cash flows that are solely payments of interest and principal, in which case they are measured at amortised cost. The Standard also broadens the eligibility for hedge accounting as it introduces an objectives-based test that focuses on the economic relationship between hedged items and hedging instruments. The full impact of this Standard has not yet been determined.



Review Report to the Shareholders of Meridian Energy Limited

We have reviewed the condensed interim financial statements of Meridian Energy Limited and its subsidiaries ("the Group") which comprise the balance sheet as at 31 December 2015, the income statement and the comprehensive income statement, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 11 to 27.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed interim financial statements, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for the publication of the condensed interim financial statements whether in printed or electronic form.

Our Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Trevor Deed of Deloitte to carry out an annual audit of the Group.

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. As the auditor of Meridian Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

We did not evaluate the security and controls over the electronic publication of the condensed interim financial statements.

In addition to this review and the audit of the Group annual financial statements, we have carried out other engagements consisting of a carbon emissions audit, audit of the securities registers and reporting in our capacity as auditors to the supervisor for the debt securities which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. These services have not impaired our independence as auditor of the Group. In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

TREVOR DEED

Deloitte

On behalf of the Auditor-General

23 February 2016

Wellington, New Zealand

Directory

Registered office

Meridian Energy Limited
33 Customhouse Quay
Wellington Central
Wellington 6011
New Zealand
PO Box 10840
The Terrace
Wellington 6143
New Zealand
T +64 4 381 1200
F +64 4 381 1201

Offices

Quad 5, Level 3
4 Leonard Isitt Drive
Auckland Airport
Auckland 2022
New Zealand
PO Box 107174
Auckland Airport
Auckland 2150
New Zealand
T +64 9 477 7800

104 Moorhouse Avenue
Addington
Christchurch 8011
New Zealand
PO Box 2146
Christchurch 8140
New Zealand
T +64 3 357 9700

State Highway 8
Private Bag 950
Twizel 7944
New Zealand
T +64 3 435 0818
F +64 3 435 0939

Australian registered office

Meridian Energy
Australia Pty Limited
Level 15
357 Collins Street
Melbourne VIC 3000
Australia
T +61 3 8370 2100
F +61 3 9620 5235

Share Registrar New Zealand

Computershare
Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
Private Bag 92119
Victoria Street West
Auckland 1142
T +64 9 488 8777
F +64 9 488 8787

enquiry@computershare.co.nz
www.investorcentre.com/nz

Share Registrar Australia

Computershare
Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3037
GPO Box 3329
Melbourne, VIC 3001
Australia
T 1800 501 366 (within Australia)
T +61 3 9415 4083 (outside Australia)
F +61 3 9473 2500
enquiry@computershare.co.nz

Auditor

Trevor Deed
*On behalf of the Office
of the Auditor-General*
Deloitte
PO Box 1990
Wellington 6410
New Zealand

Banker

Westpac Wellington
New Zealand

Directors

Chris Moller, *Chair*
Peter Wilson, *Deputy Chair*
Mark Cairns
Jan Dawson
Mary Devine
Sally Farrier
Anake Goodall
Stephen Reindler

Management team

Mark Binns, *Chief Executive*
Neal Barclay
Paul Chambers
Jacqui Cleland
Alan McCauley
Glen McLatchie
Jason Stein
Guy Waipara

If you have any questions or would like to comment on Meridian's Interim Report, please email investors@meridianenergy.co.nz



Printed with mineral-oil-free, soy-based vegetable inks on paper produced using FSC® certified mixed-source pulp that complies with environmentally responsible practices and principles. Please recycle.
ISSN 1173-6275



Front cover image – Peter from Makara Model School visiting West Wind farm. **Back cover image** – A cyclist at West Wind farm

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

1

Full name of Issuer **Meridian Energy Limited**

Name of officer authorised to
make this notice

Jason Stein

Authority for event,
e.g. Directors' resolution

Directors' resolution

Contact phone
number

+64 4 381 1200

Contact fax
number

Date

24 / 2 / 2016

Nature of event
Tick as appropriate

Bonus
Issue

☐

If ticked,
state whether:

Taxable

☐

/ Non Taxable

☐

Conversion

☐

Interest

☐

Rights Issue
Renounceable

☐

Rights Issue
non-renounceable

☐

Capital
change

☐

Call

☐

Dividend

☒

If ticked, state
whether:

☒

Interim

☒

Full
Year

☐

Special

☐

DRP Applies

☐**EXISTING securities affected by this**

If more than one security is affected by the event, use a separate form.

Description of the
class of securities

Ordinary Shares

ISIN

NZMELE0002S7

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the
class of securities

ISIN

If unknown, contact NZX

Number of Securities to
be issued following event

Minimum
Entitlement

Ratio, e.g.
① for ②

for

Conversion, Maturity, Call
Payable or Exercise Date

Treatment of Fractions

Enter N/A if not
applicable

Tick if
pari passu

☐

OR

provide an
explanation
of the
ranking

Strike price per security for any issue in lieu or date
Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security
(does not include any excluded income)

\$0.0510

Source of
Payment

Retained Earnings

Excluded income per security
(only applicable to listed PIEs)

Currency

NZ Dollars

Supplementary
dividend
details -
NZSX Listing Rule 7.12.7

Amount per security
in dollars and cents

\$0.0077

Total monies

\$130,713,000

Date Payable

15 April, 2016

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus
issue state strike price

\$

Resident
Withholding Tax

\$0.0055

Imputation Credits
(Give details)

\$0.0169

Foreign
Withholding Tax

FDP Credits
(Give details)

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm

For calculation of entitlements -

31 March, 2016

Application Date

Also, Call Payable, Dividend /
Interest Payable, Exercise Date,
Conversion Date. In the case
of applications this must be the
last business day of the week.

15 April, 2016

Notice Date

Entitlement letters, call notices,
conversion notices mailed

Allotment Date

For the issue of new securities.
Must be within 5 business days
of application closing date.

OFFICE USE ONLY

Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:



Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

1

Full name of Issuer **Meridian Energy Limited**

Name of officer authorised to
make this notice

Jason Stein

Authority for event,
e.g. Directors' resolution

Directors' resolution

Contact phone
number

+64 4 381 1200

Contact fax
number

Date

24 / 2 / 2016

Nature of event
Tick as appropriate

Bonus
Issue

☐

If ticked,
state whether:

Taxable

☐

/ Non Taxable

☐

Conversion

☐

Interest

☐

Rights Issue
Renounceable

☐

Rights Issue
non-renounceable

☐

Capital
change

☐

Call

☐

Dividend

☒

If ticked, state
whether:

Interim

☐

Full
Year

☐

Special

☒

DRP Applies

☐**EXISTING securities affected by this**

If more than one security is affected by the event, use a separate form.

Description of the
class of securities

Ordinary Shares

ISIN

NZMELE0002S7

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the
class of securities

ISIN

If unknown, contact NZX

Number of Securities to
be issued following event

Minimum
Entitlement

Ratio, e.g.
① for ②

for

Conversion, Maturity, Call
Payable or Exercise Date

Treatment of Fractions

Enter N/A if not
applicable

Tick if
pari passu

☐

OR
provide an
explanation of
the ranking

Strike price per security for any issue in lieu or date
Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security
(does not include any excluded income)

\$0.0244

Source of
Payment

Retained Earnings

Excluded income per security
(only applicable to listed PIEs)

Currency

NZ Dollars

Supplementary
dividend
details -
NZSX Listing Rule 7.12.7

Amount per security
in dollars and cents

\$0.0000

Total monies

\$62,537,200

Date Payable

15 April, 2016

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus
issue state strike price

\$

Resident
Withholding Tax

\$0.0081

Imputation Credits
(Give details)

\$0.0000

Foreign
Withholding Tax

FDP Credits
(Give details)

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm

For calculation of entitlements -

31 March, 2016

Application Date

Also, Call Payable, Dividend /
Interest Payable, Exercise Date,
Conversion Date. In the case
of applications this must be the
last business day of the week.

15 April, 2016

Notice Date

Entitlement letters, call notices,
conversion notices mailed

Allotment Date

For the issue of new securities.
Must be within 5 business days
of application closing date.

OFFICE USE ONLY

Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:





Better energy future



MERIDIAN ENERGY LIMITED Interim results presentation for the six months ended 31 December 2015

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain forward-looking statements and projections. These reflect Meridian's current expectations, based on what it thinks are reasonable assumptions. Meridian gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or NZX or ASX listing rules, Meridian is not obliged to update this presentation after its release, even if things change materially.

This presentation does not constitute financial advice. Further, this presentation is not and should not be construed as an offer to sell or a solicitation of an offer to buy Meridian Energy securities and may not be relied upon in connection with any purchase of Meridian Energy securities.

This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the condensed interim financial statements, which are included in Meridian's interim report for the six months ended 31 December 2015 and is available at:

<http://www.meridianenergy.co.nz/investors/>

All currency amounts are in New Zealand dollars unless stated otherwise.

Highlights

EBITDAF



GROWTH

INTERIM
ORDINARY DIVIDEND



CENTS PER SHARE

SPECIAL DIVIDENDS



CENTS PER SHARE

NEW ZEALAND RETAIL
SALES VOLUMES



INCREASE

POWERSHOP AUSTRALIA
CUSTOMERS



GROWTH

POWERSHOP AGREEMENT
WITH NPOWER



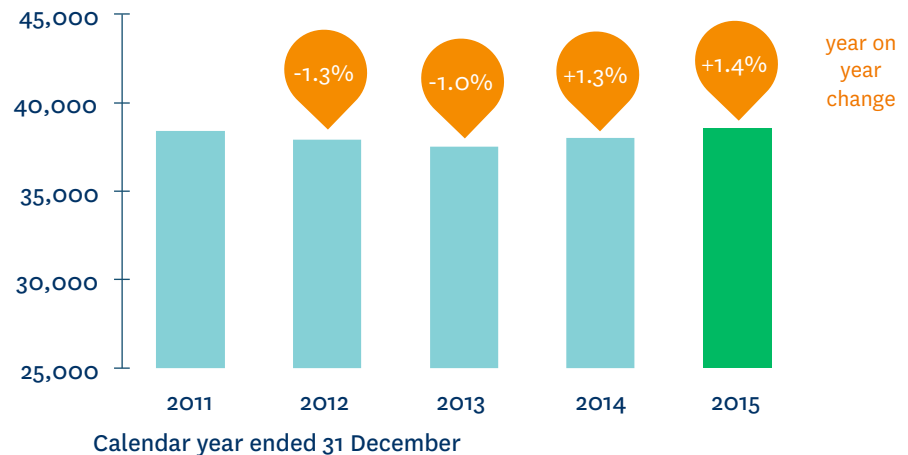
NOVEMBER

The New Zealand market

- Modest demand growth in last six months
- Growth in most regions and sectors (except industrial)
- 600MW of thermal plant closure has occurred in the last 6 months
- Market is working through implications of completed and planned thermal plant closure
- 2019 ASX prices are only trading around 4% above 2018 prices, demonstrating confidence a market solution will be successful
- Meridian is confident we can deal with our own risk position
- High retail competition now has to be seen as a permanent feature
- Currently expecting EA to clearly signal proposed final TPM decision by 31 March 2016

NATIONAL DEMAND

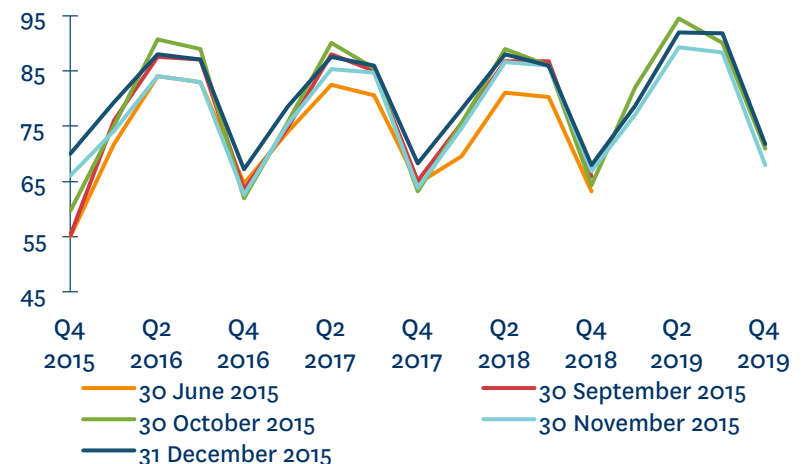
GWh



source: Transpower, Meridian

OTAHUHU ASX FUTURES SETTLEMENT PRICE

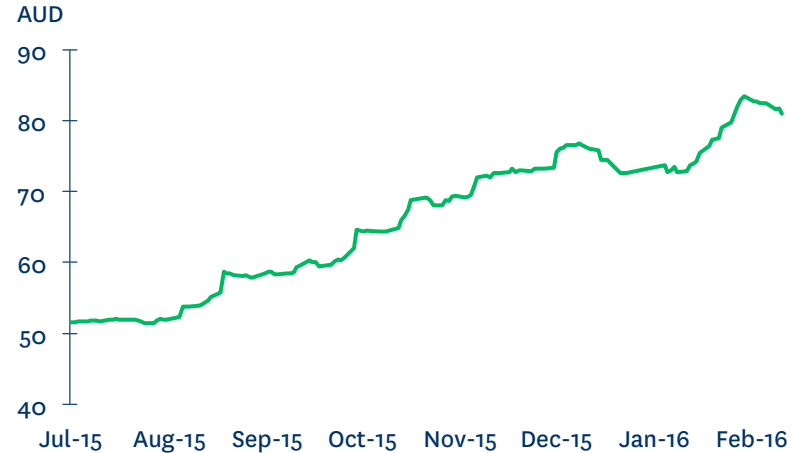
\$/MWh



The Australian market

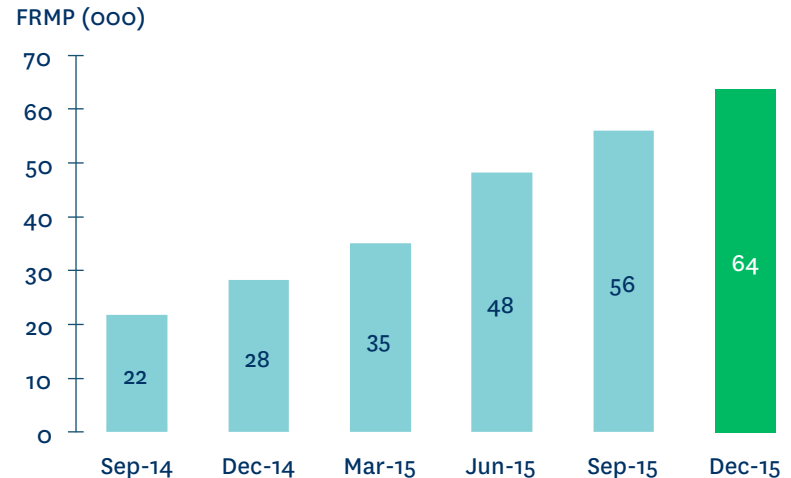
- LGC prices have responded to RET target decision in June 2015 and political changes in September 2015
- Has not yet translated into investment certainty, with little new investment announced
- Rising base wholesale prices with thermal retirement and new LNG gas consumption kicking in
- Powershop Australia has good traction in NSW and Victoria, despite competition remaining strong

LGC SPOT PRICE



source: Bloomberg

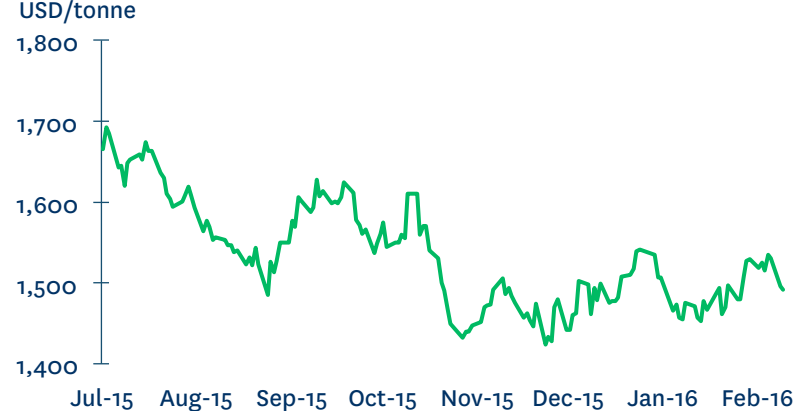
POWERSHOP AUSTRALIA CUSTOMERS



Tiwai Point smelter

- Current trading environment for the aluminium industry is difficult
- USD aluminium prices have fallen 10% since the middle of 2015
- Price premia have stabilised from declines in the first half of 2015
- Little additional relief for NZAS from a fluctuating NZD USD cross rate between July and December 2015
- Announcements of closure of significant US smelting capacity in 2015, however the oversupplied Chinese market is the key driver
- Forecast global demand growth has moderated
- TPM may potentially provide significant cost upside for NZAS

LME SPOT ALUMINIUM PRICE



source: London Metal Exchange

NZD USD CROSS RATE



source: Reuters

Wholesale and generation

- Stay in business capital spend inside the annual \$65m envelope
- Mill Creek wind farm performance running ahead of expectations
- Iconic Brooklyn turbine will be replaced in April 2016
- Consent extensions gained for Central Wind and Maungharuru wind options
- Meridian's January 2016 monthly inflows were 85% of historical average
- Meridian's Waitaki catchment storage sat at 93% of historical average at the end of January 2016



Meridian Retail

- Segment EBITDAF up +\$5m (+19%)
- Growth in corporate and industrial sales volumes (+4%)
- Growth in residential and SMB sales volumes (+6%)
- Lift in average sales price
 - Corporate and industrial +4% in line with movements in the forward market
 - Residential and SMB +2% with inflation based price changes for some networks
- Some operating cost growth to counter competitive pressure



Meridian Retail

- Launch of Xero partnership
- Winner of CRM contact centre award (commercial and business services)
- Powershop net promoter score above 46 (energy sector average is -13)
- Good performance on retail metrics



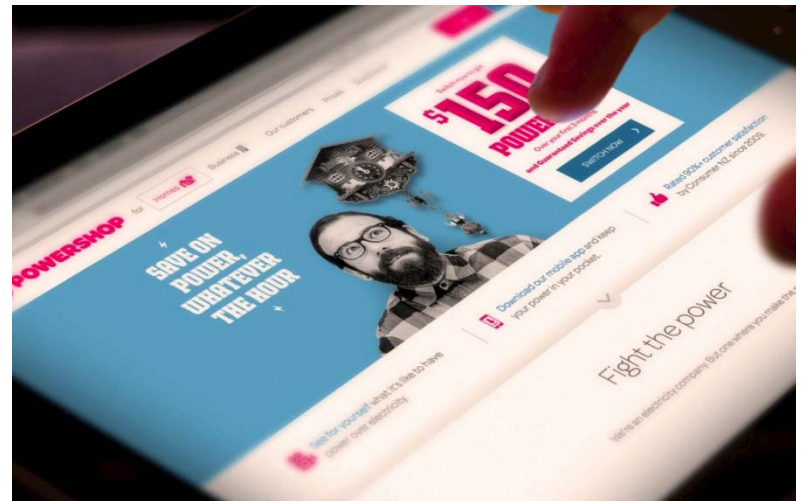
MERIDIAN RETAIL		Dec 14	Jun 15	Dec 15
Time to answer (seconds)	6 month avg	93	40	30
Churn (variance to market)	12 month avg	-1.7%	-1.5%	-1.2%
Customer retention rate	6 month avg	81%	80%	77%
Cost to serve per customer ¹	6 month cost	\$114	\$124	\$129
Overdue debt > 30 days	\$m	5.1	2.4	4.1
Disconnections	6 month total	5,792	4,657	2,104



¹Excluding metering costs

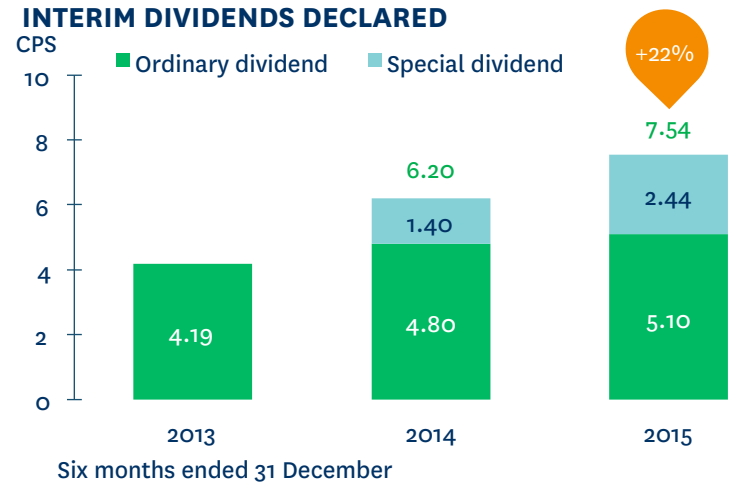
npower agreement

- Franchise licence agreement with RWE npower signed in November 2015
- Will take the Powershop service platform and brand to the UK without Meridian carrying market exposure
- Staged delivery of electricity, smart meter integration, gas and dual fuel and white label offerings
- Two year establishment phase with npower paying fixed development fees and making milestone payments
- From full launch, npower will pay an annual fixed fee and a variable per customer fee



Dividends

- Interim ordinary dividend of 5.10 cps, 85% imputed
- Is a 6% increase on the interim dividend from last year
- Capital management interim special dividend of 2.44 cps, unimputed
- Brings capital management distributions to \$125m since the programme commenced in August 2015
- To date, this has been paid as special dividends, buyback remains a consideration

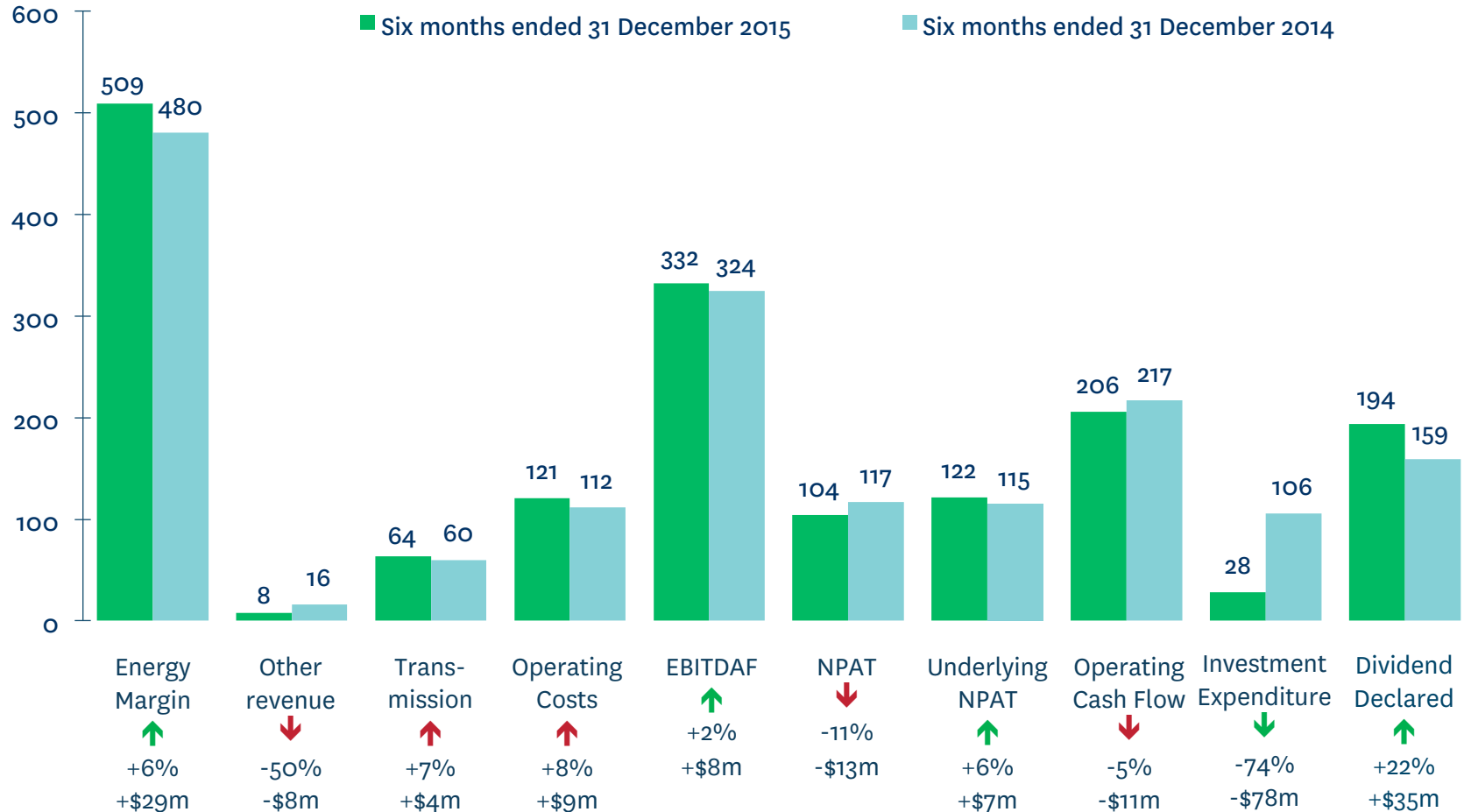


FY2016 DIVIDENDS DECLARED	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	5.10	85%
Interim Special Dividend	2.44	0%
Total Interim Dividend	7.54	

Financial performance

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

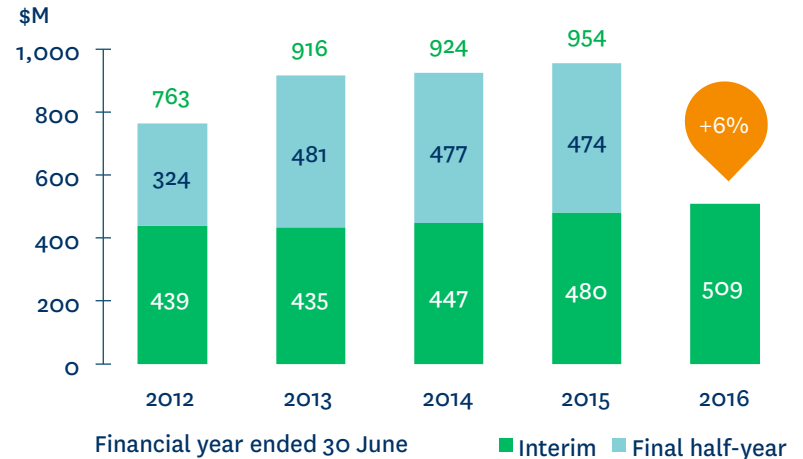
\$M



Earnings

- ‘Like for like’ EBITDAF (excluding FY2015 insurance proceeds) increase of \$12m (4%) in 1H FY2016 from:
 - + Higher corporate sales volume in NZ
 - + Higher residential/SMB sales volumes in both countries
 - Higher market purchases to support this volume
 - + Higher retail sales prices in NZ
 - + Higher generation prices in Australia
 - + Higher sell-side CFD volumes and lower acquired generation costs
 - Higher HVDC charges
 - Lower other revenue following sale of Arc and surplus farm land
 - Higher costs including customer acquisition and Powershop expansion

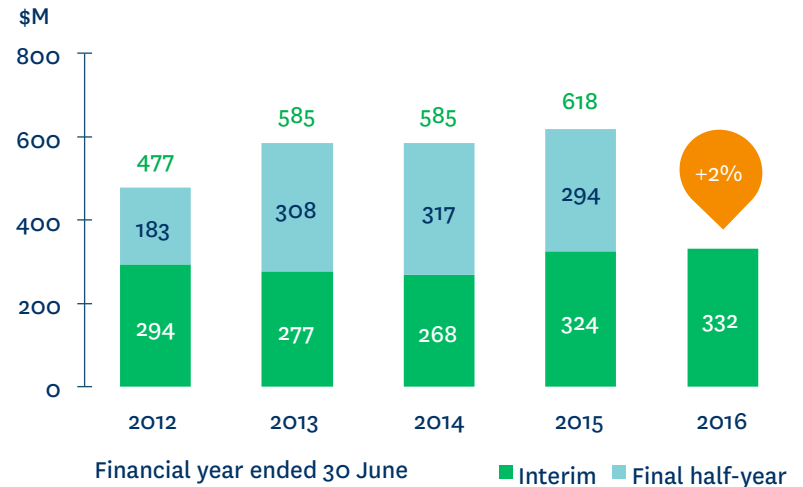
ENERGY MARGIN¹



¹See pg 25 for a definition of energy margin

²Earnings before interest, taxation, depreciation, amortisation, changes in fair value of hedges and other significant items

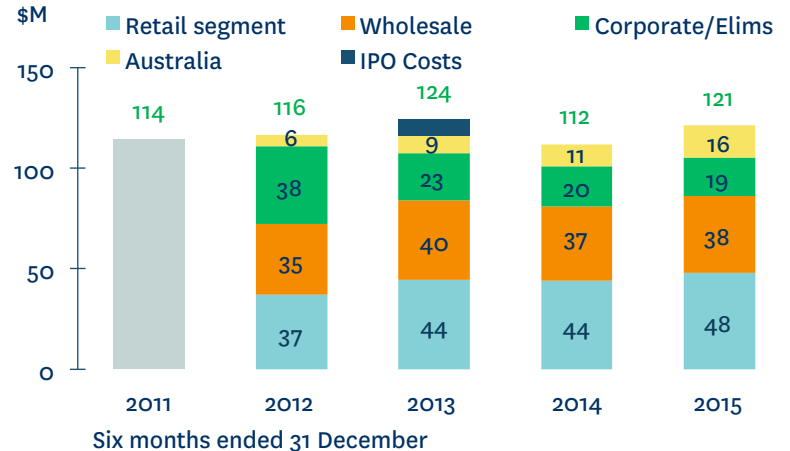
REPORTED EBITDAF²



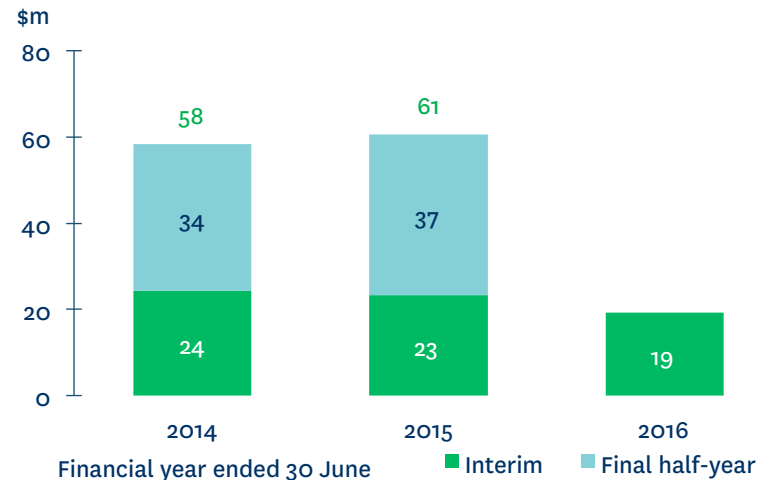
Costs

- Operating costs have increased +\$9m (+8%) in 1H FY2016
- Almost half of this growth is investment supporting Powershop expansion offshore
- Continued customer acquisition pressure in NZ
- Timing differences on some reoccurring spend
- Change in treatment of \$1.4m of costs with Arc sale (now included in operating costs rather than energy margin)
- Expect cost growth in 2H FY2016 to be largely limited to growth investment
- Stay in business capital expenditure is within the \$65m annual envelope

OPERATING COSTS



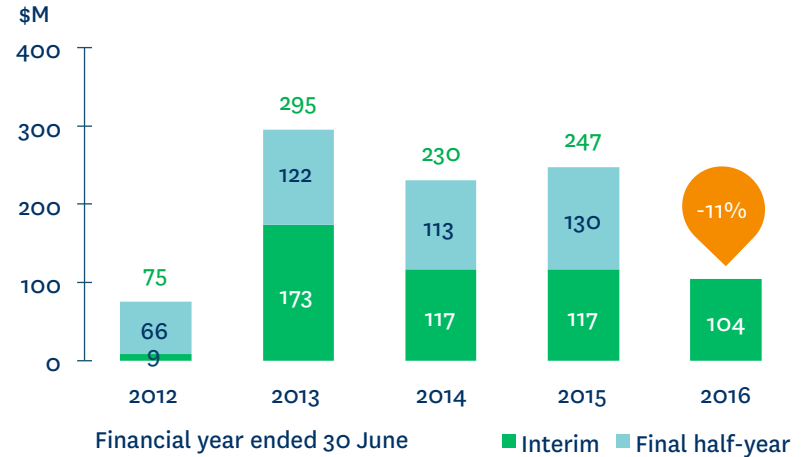
STAY IN BUSINESS CAPEX



Below EBITDAF

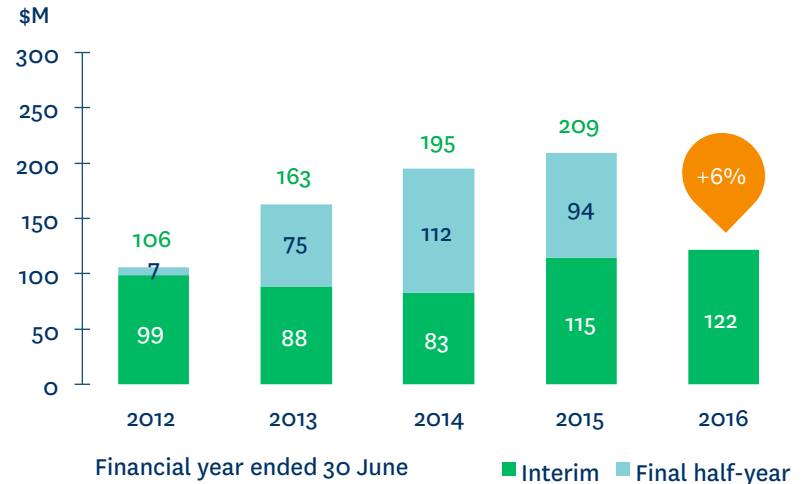
- Net finance costs -\$1m (-3%) from lower interest on borrowings
- Positive change in fair value of treasury instruments reflecting forward rate changes in 1H FY2015
- Negative change in fair value of electricity hedges
- Change to the treatment of LGCs and associated forward sales used to cover some future LGC production
- Rising LGC prices have given rise to unrealised fair value losses on forward contracts
- \$15m of gains on the sale from Arc and surplus farm land in 1H FY2015
- Underlying NPAT +\$7m (+6%) from higher EBITDAF and lower financing costs

NET PROFIT AFTER TAX



¹Net profit after tax adjusted for the effects of non cash fair value movements and one-off items
A reconciliation between net profit after tax and underlying net profit after tax is on p34

UNDERLYING NPAT¹



Concluding remarks

- Strategic focus remains unchanged:
 - Supporting TPM and thermal retirement outcomes to maintain an open and competitive market
 - Improving asset yield and maintaining low stay in business capex
 - Continuing to close our retail profit gap while lifting efficiency and service
 - Developing Powershop and future New Zealand renewable generation growth opportunities



Questions

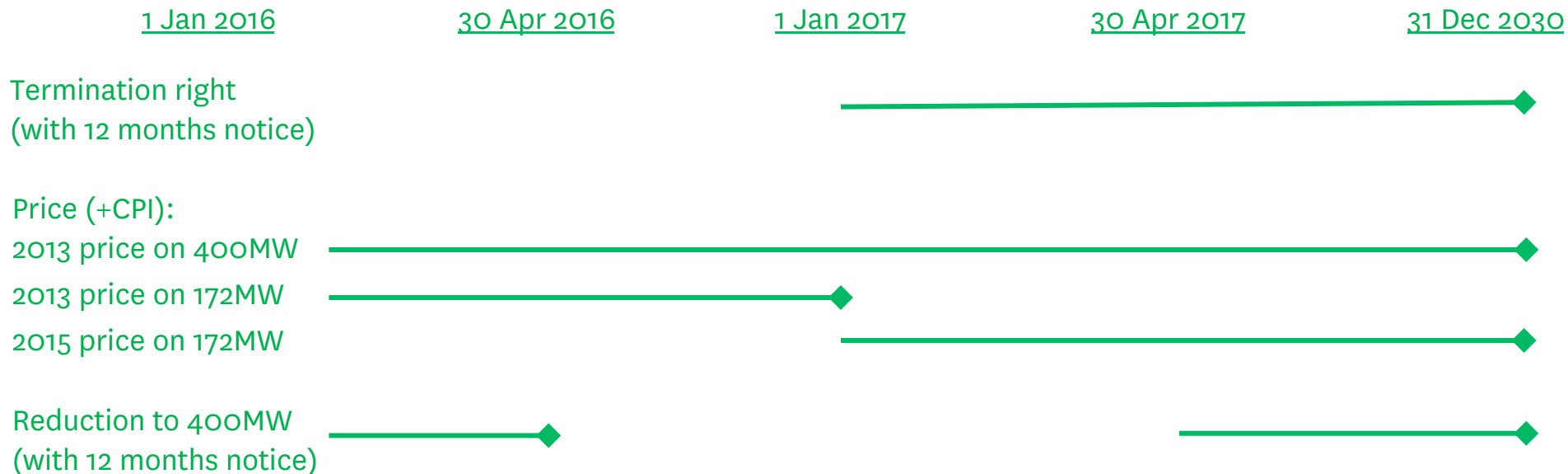


Additional information



Tiwai Point smelter contract

- Contract terms (other than price) similar to those previously agreed
- Price on 400MW unchanged from 2013 variation, higher price on 172MW from 1 January 2017
- Window to give 12 months notice to reduce to 400MW extended to 1 April 2016, then any time after 30 April 2017
- Other generators provided back to back cover of varying quantity and tenure



New Zealand retail

Customer connections

- -0.8% decline in ICP numbers since June 2015, reflecting aggressive residential sales activity and greater SMB focus

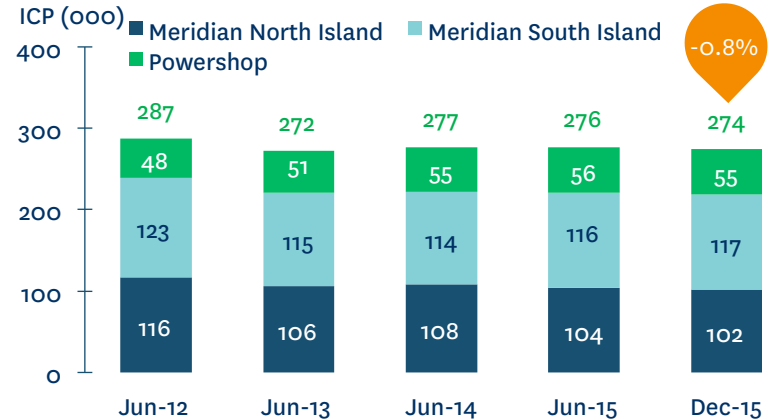
Residential, SMB, Agri segment

- +6% increase in volumes
- +2% increase in average price with inflation based price changes for some networks

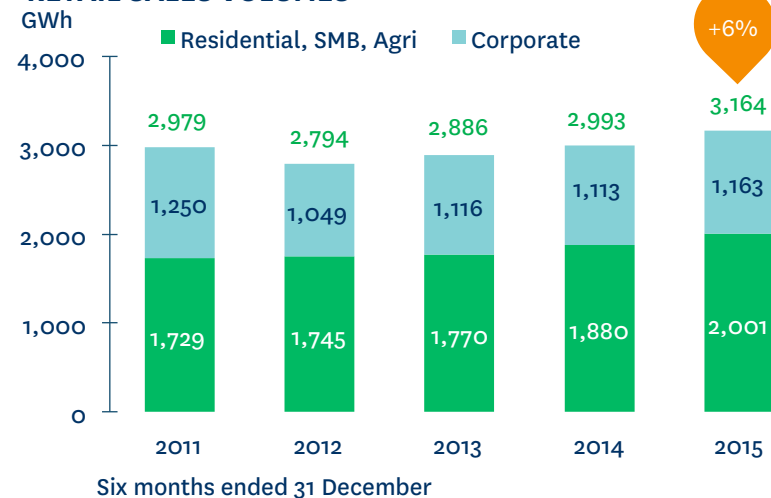
Corporate segment

- +4% increase in volumes
- +4% increase in average price in line with movements in the forward market

NEW ZEALAND CUSTOMER NUMBERS



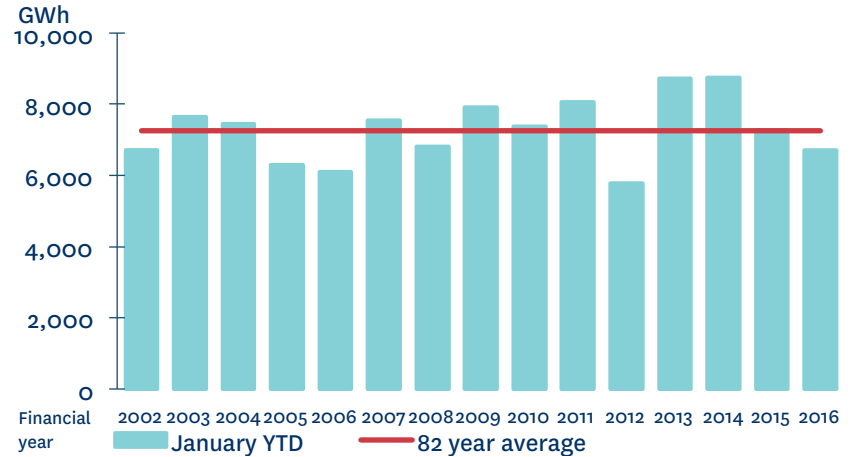
RETAIL SALES VOLUMES



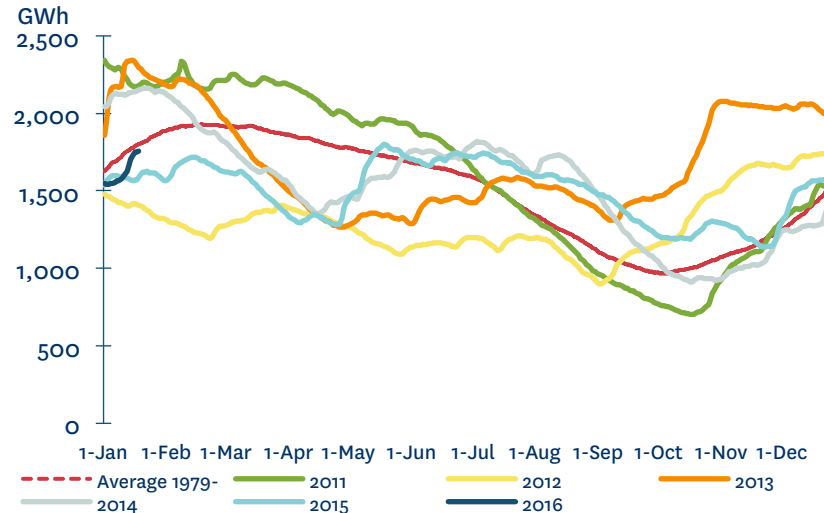
Hydrology

- Inflows for the six months ended December 2015 were 94% of historical average
- January 2016 inflows were 85% of historical average
- Meridian's Waitaki catchment storage at 31 December 2015 was 97% of historical average
- By 31 January 2016, this storage position was 93% of historical average

MERIDIAN'S COMBINED CATCHMENT INFLOWS



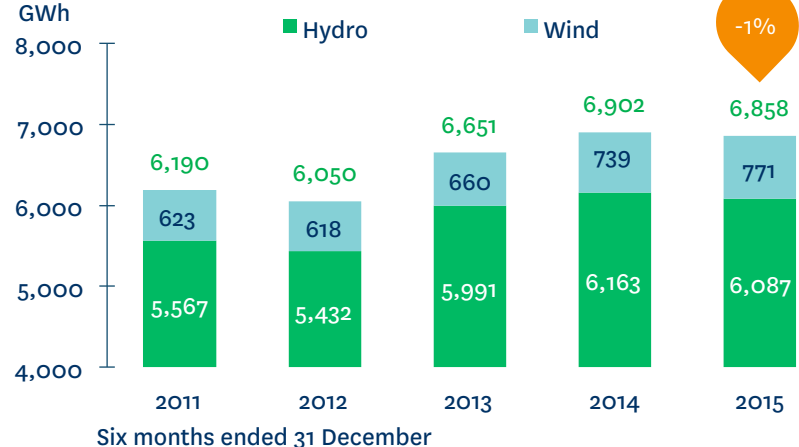
MERIDIAN'S WAITAKI STORAGE



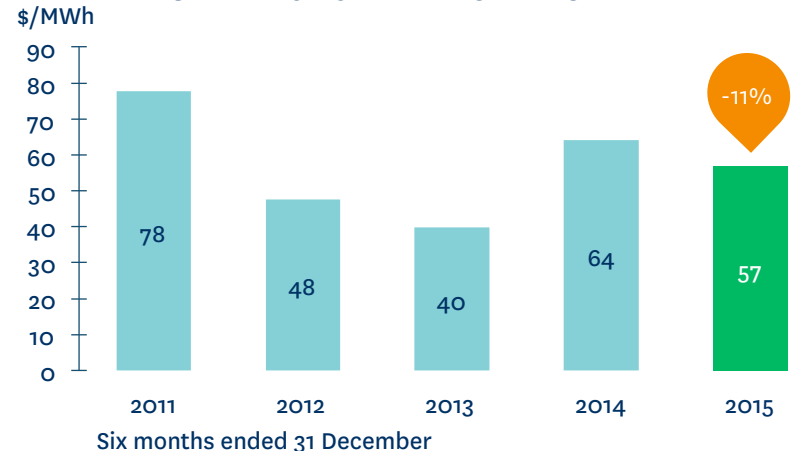
New Zealand generation

- For the six months ended 31 December 2015, Meridian's New Zealand generation was 1% lower than the same period last year
- For the six months ended 31 December 2015, the average price Meridian received for its generation was 11% lower than the same period last year
- Similarly, the price Meridian paid to supply contracted sales in the six months ended 31 December 2015 was 12% lower than last year

NEW ZEALAND GENERATION



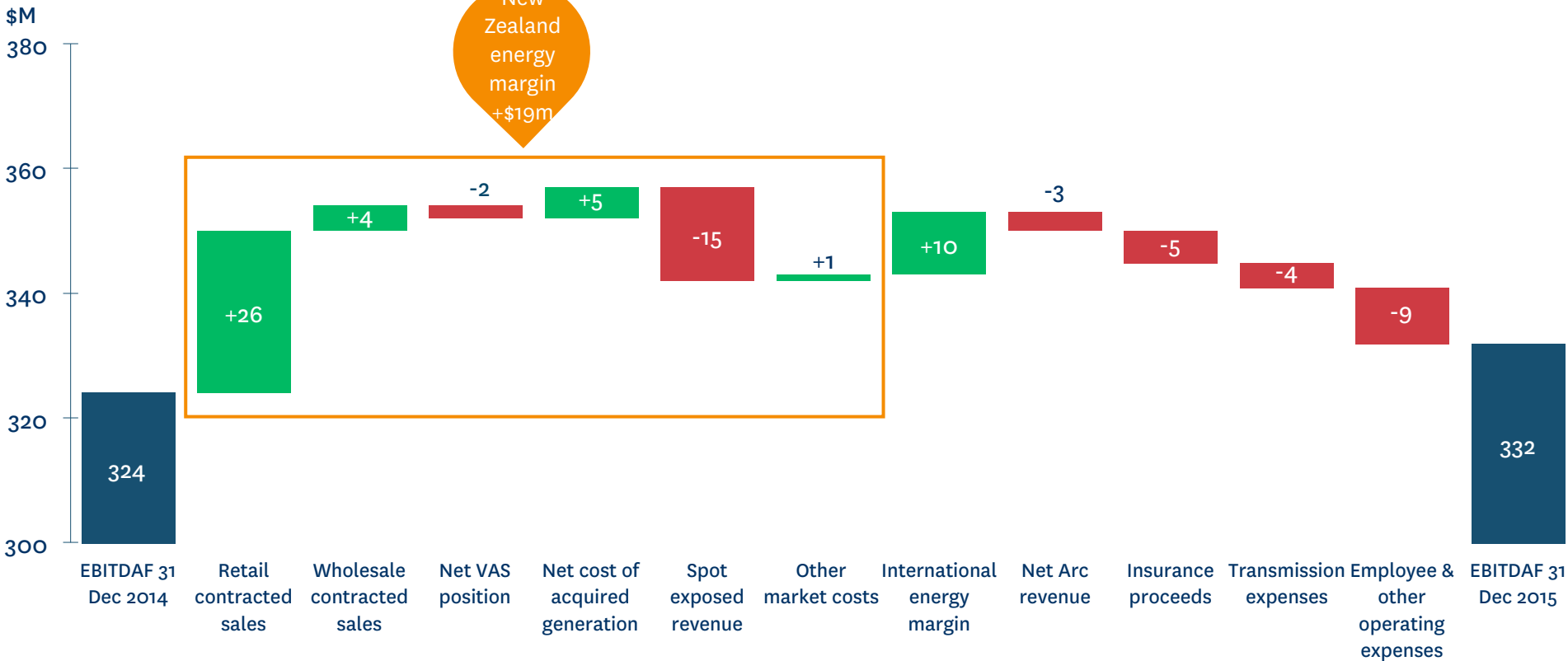
MERIDIAN'S AVERAGE GENERATION PRICE¹



¹Price received for Meridian's physical New Zealand generation

Movement in EBITDAF 1H FY2015 to 1H FY2016

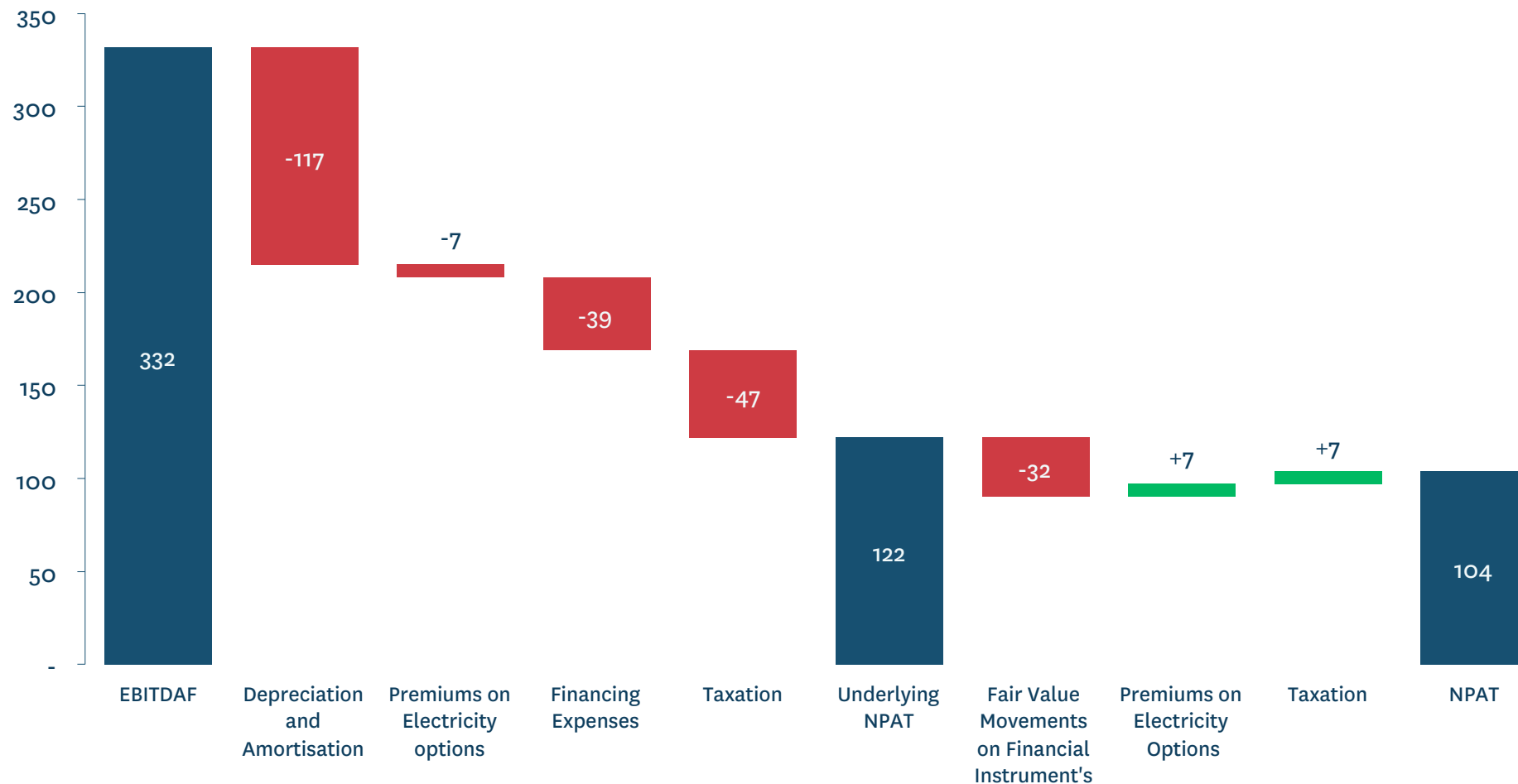
MOVEMENT IN EBITDAF



EBITDAF and net profit after tax

1H FY2016 EBITDAF TO NPAT RECONCILIATION

\$M



New Zealand energy margin

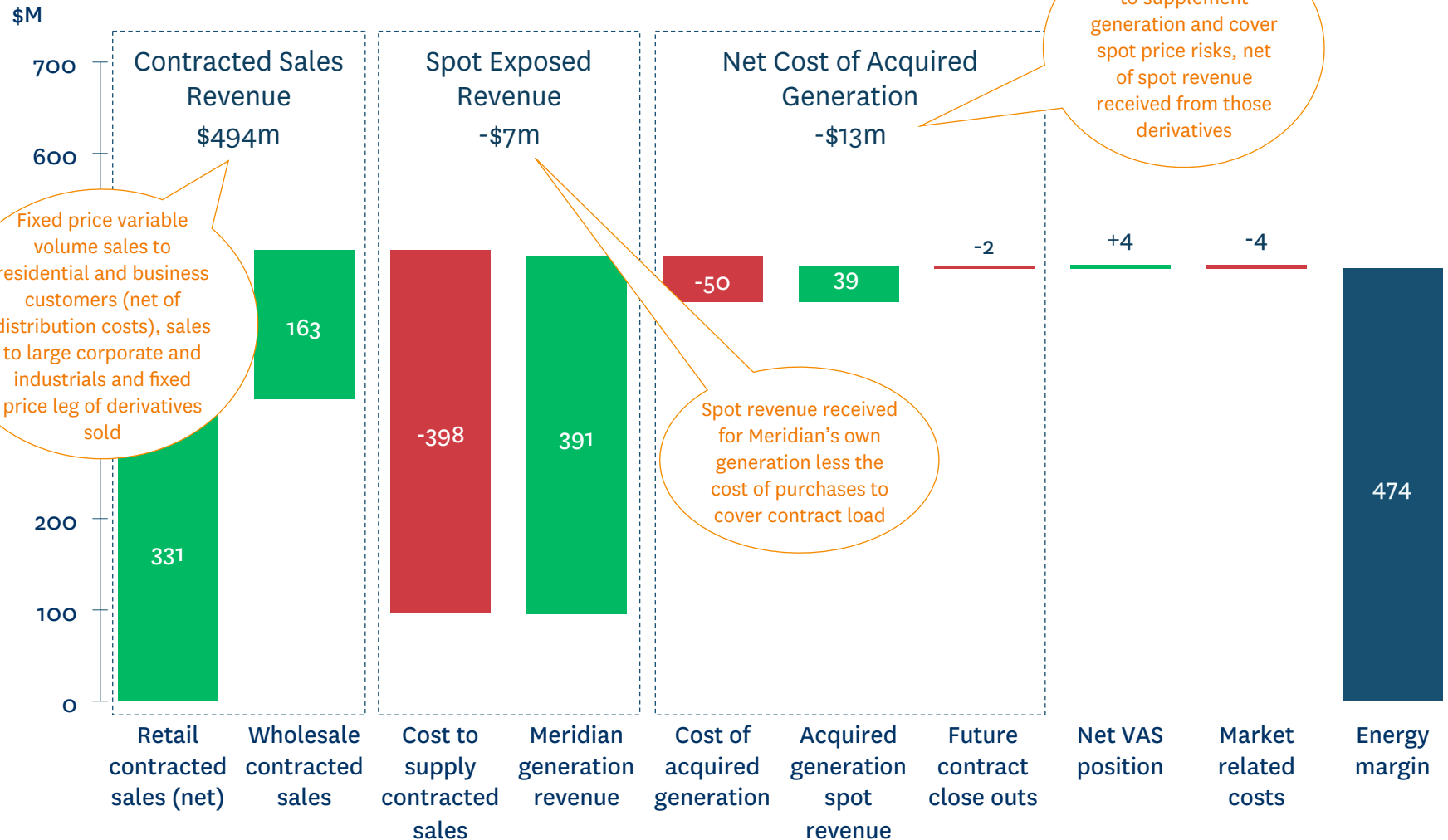
- Energy margin is a non-GAAP financial measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses
- Energy margin is used to measure the vertically integrated performance of the retail and wholesale businesses. This measure is used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases
- Energy margin is defined as:
 - + revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from derivatives sold (Contract sales revenue)
 - ± the net position of virtual assets swaps with Genesis Energy and Mighty River Power
 - the cost of fixed cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives (Net cost of acquired generation)
 - ± revenue from the volume of electricity that Meridian generates that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)
 - ± other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

New Zealand energy margin

NEW ZEALAND ENERGY MARGIN	1H FY2016			1H FY2015		
	VOLUME GWh	VWAP \$/MWh	\$M	VOLUME GWh	VWAP \$/MWh	\$M
Residential/SMB contracted sales	2,001			1,880		
Corporate and industrial contracted sales	1,163			1,113		
Retail contracted sales	3,164	\$104.6	\$331	2,993	\$101.9	\$305
NZAS aluminium sales	2,525			2,525		
Sell side CFDs	676			606		
Wholesale contracted sales	3,201	\$51.0	\$163	3,131	\$50.6	\$159
Net VAS position	579		\$4	579		\$6
Acquired generation revenue	668	\$58.6	\$39	530	\$63.2	\$34
Cost of acquired generation	668	-\$75.3	-\$50	530	-\$83.8	-\$45
Future contract close outs			-\$2			-\$7
Net cost of acquired generation			-\$13			-\$18
Generation revenue	6,858	\$57.0	\$391	6,902	\$64.2	\$443
Costs to supply retail sales	3,333			3,171		
Costs to supply wholesale sales	3,201			3,131		
Cost to supply contracted sales	6,534	-\$61.0	-\$398	6,302	-\$69.1	-\$435
Net spot exposed revenue			-\$7			\$8
Other market revenue/(costs)			-\$4			-\$5
Energy Margin			\$474			\$455
LWAP:GWAP ¹			1.10			1.11

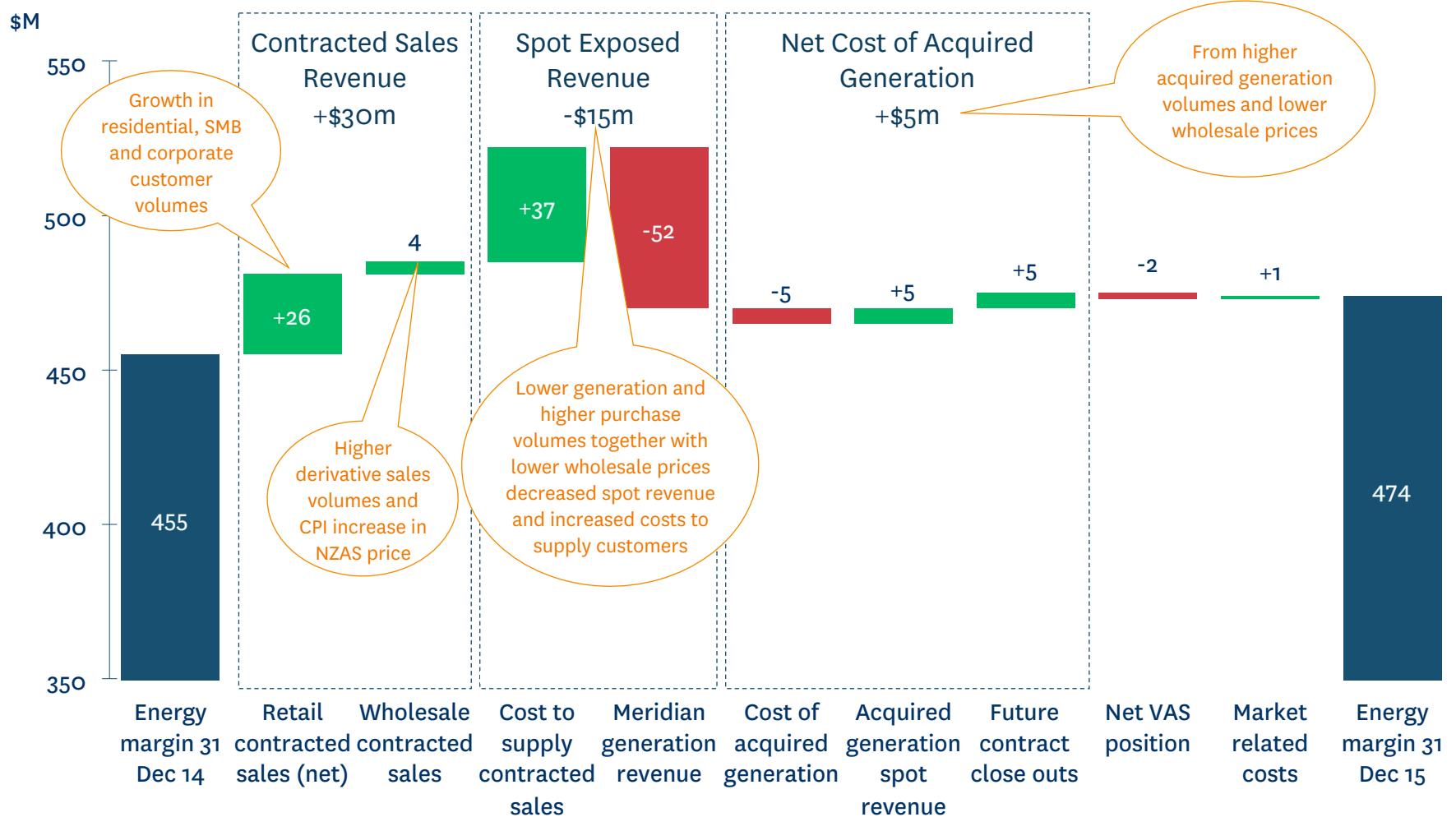
New Zealand energy margin

NEW ZEALAND ENERGY MARGIN



Movement in energy margin 1H FY2015 to 1H FY2016

NEW ZEALAND ENERGY MARGIN



Other revenue

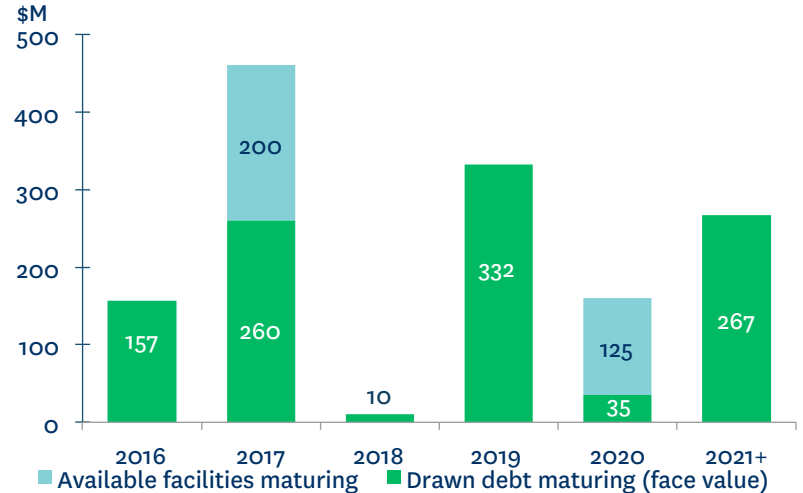
SUMMARY OF OTHER REVENUE	6 MONTHS ENDED	6 MONTHS ENDED	12 MONTHS ENDED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Retail service revenue (field services etc)	3	3	8
Arc Innovations	-	3	3
Damwatch	2	2	5
Miscellaneous ¹	2	6	7
Farming	-	1	1
Lease income	1	1	1
Carbon credits	-	-	8
Total other revenue	8	16	25

¹Includes settlement of insurance proceeds in the year ended 30 June 2015

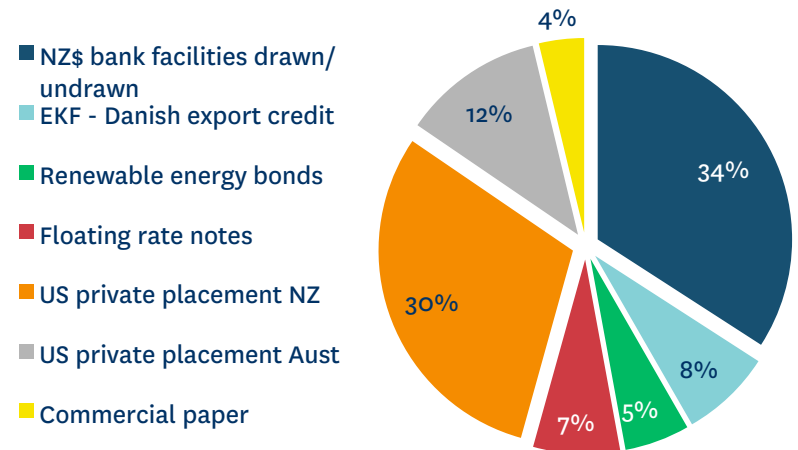
Funding

- Total borrowings as at 31 December 2015 of \$1,200m, up \$13m from 31 December 2014
- Net borrowings (net of cash) as at 31 December 2015 of \$1,131m, up \$175m from 31 December 2014
- Committed bank facilities of \$630m as at 31 December 2015, of which \$325m were undrawn
- Net finance costs -\$1m (-3%) lower than 1H FY2015 from lower interest on borrowings

DEBT MATURITY PROFILE AS AT 31 DEC 2015

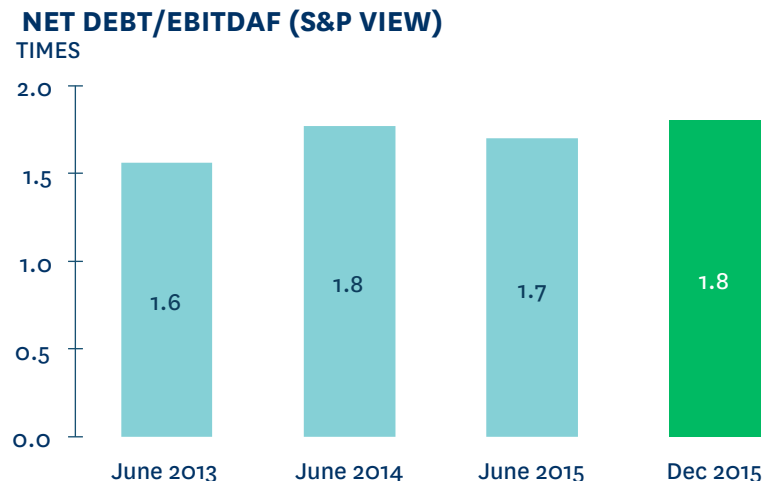


SOURCES OF FUNDING AS AT 31 DECEMBER 2015



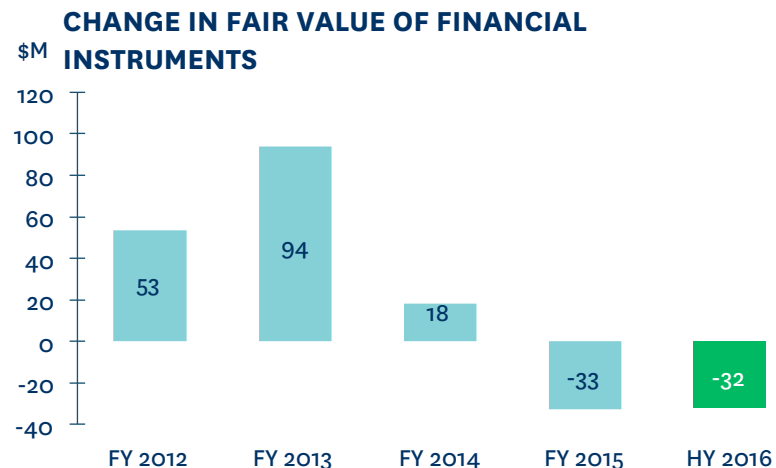
Funding metrics

- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of Net debt/EBITDAF includes numerous adjustments to reported numbers
 - Borrowings are adjusted for the impact of finance and operating leases
 - Cash balances are adjusted for restricted cash
 - EBITDAF is adjusted for operating leases and non core revenue



Fair value movements

- Meridian uses derivative instruments to manage commodity price, interest rate and foreign exchange risk
- As forward prices and rates on these instruments move, non cash changes to their carrying values are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- Positive change in fair value of treasury instruments reflecting forward rate changes in 1H FY2015
- Negative change in fair value of electricity hedges
 - Change to the treatment of LGCs and associated forward sales used to cover some future LGC production
 - Rising LGC prices have given rise to unrealised fair value losses on forward contracts



Group income statement

	6 MONTHS ENDED	6 MONTHS ENDED	12 MONTHS ENDED
SUMMARY GROUP INCOME STATEMENT	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
New Zealand energy margin	474	455	900
International energy margin	35	25	54
Other revenue	8	16	25
Energy transmission expense	(64)	(60)	(123)
Employee and other operating expenses	(121)	(112)	(238)
EBITDAF	332	324	618
Depreciation and amortisation	(117)	(117)	(239)
Impairment of assets	-	-	(38)
Gain/(loss) on sale of assets	-	15	19
Net change in fair value of electricity and other hedges	(32)	-	(1)
Net finance costs	(39)	(40)	(78)
Net change in fair value of treasury instruments	-	(26)	(32)
Net Profit before tax	144	156	249
Income tax expense	(40)	(39)	(2)
Net Profit after tax	104	117	247

Group underlying NPAT

UNDERLYING NPAT RECONCILIATION	6 MONTHS ENDED	6 MONTHS ENDED	12 MONTHS ENDED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Net profit after tax	104	117	247
Underlying adjustments			
<u>Hedging instruments</u>			
Net change in fair value of electricity and other hedges	32	-	1
Net change in fair value of treasury instruments	-	26	32
Premiums paid on electricity options	(7)	(8)	(15)
<u>Assets</u>			
Gain/(loss) on sale of assets	-	(15)	(19)
Impairment of assets	-	-	38
Total adjustments before tax	25	3	37
<u>Taxation</u>			
Tax effect of above adjustments	(7)	(5)	(13)
Release of capital gains tax provision	-	-	(28)
Tax depreciation on powerhouse structures	-	-	(34)
Underlying net profit after tax	122	115	209

Group cash flow statement

SUMMARY GROUP CASH FLOW STATEMENT	6 MONTHS ENDED	6 MONTHS ENDED	12 MONTHS ENDED
	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Receipts from customers	1,409	1,002	2,348
Interest and dividends received	1	5	8
Payments to suppliers and employees	(1,105)	(686)	(1,742)
Interest and income tax paid	(99)	(104)	(174)
Operating cash flows	206	217	440
Sale of property, plant and equipment	-	15	19
Sale of other assets	-	24	29
Purchase of property, plant and equipment	(20)	(101)	(131)
Purchase of intangible assets and investments	(8)	(5)	(16)
Investing cash flows	(28)	(67)	(99)
Proceeds from borrowings	270	204	366
Shares purchased for long term incentive	(1)	(1)	(2)
Dividends	(307)	(229)	(385)
Term borrowings	(139)	(169)	(527)
Financing cash flows	(177)	(195)	(548)

Group balance sheet

	AS AT	AS AT	AS AT
SUMMARY GROUP BALANCE SHEET	31 DEC 2015 \$M	31 DEC 2014 \$M	30 JUN 2015 \$M
Cash and cash equivalents	69	231	69
Trade receivables	220	217	191
Other current assets	104	59	74
Total current assets	393	507	334
Property, plant and equipment	6,970	6,853	7,097
Intangible assets	43	46	47
Other non-current assets	222	143	183
Total non-current assets	7,235	7,042	7,327
Payables, accruals and employee entitlements	230	233	208
Current portion of term borrowings	211	134	213
Other	54	67	57
Total current liabilities	495	434	478
Term borrowings	989	1,053	863
Deferred tax	1,384	1,344	1,400
Other	236	201	172
Total non-current liabilities	2,609	2,598	2,435
Net assets	4,524	4,517	4,748

Glossary

Acquired generation volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers, including NZAS
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of acquired generation	volume weighted average price Meridian pays for derivatives acquired to supplement generation
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections (NZ)	number of installation control points, excluding vacants
FRMP	financially responsible market participant
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 81 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku, White Hill and Mill Creek wind farms
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Sell side derivatives	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mightly River Power. They do not result in the physical supply of electricity



meridian

Release

Stock exchange listings: NZX (MEL) ASX (MEZ)

Meridian delivers retail sales led growth

24 February 2016

Meridian Energy has delivered another solid interim result for the six months ended 31 December 2015, with higher earnings mainly from increased retail sales volume compared to the same period last year.

Meridian's Net Profit After Tax (NPAT) was \$104 million, while Underlying NPAT (which excludes the effects of non-cash fair value movements, gains on sale of assets, impairments and other one off items) was \$122 million.

Retail performance strong against last year

Meridian Chief Executive Mark Binns said it's pleasing that both the New Zealand and Australian operations have reported higher earnings.

Compared with the same period last year, earnings before interest and taxation, depreciation and amortisation, changes in fair value of hedges and other significant items (EBITDAF) was up \$8 million to \$332 million for the six months ended 31 December 2015.

The result was due mainly to an increase in retail sales, with corporate and industrial volumes up 4% and residential and small business volumes up 6%.

"Over the past year we've made a concerted push into the small business segment and it's rewarding to see this increase," Mr Binns said.

In Australia there was a meaningful increase in sales volume, with the number of Powershop Australia customers increasing by 32% to more than 63,000.

"We are also excited to be progressing our franchise license agreement with UK retailer npower which will take the Powershop service and brand to the Northern Hemisphere," Mr Binns said.

Dividends and capital management

Meridian will pay an ordinary dividend of 5.1 cents per share which is 6% higher than last year. This will be imputed to 85% and paid on 15 April 2016.

Due to the strong trading of the company, Meridian will also pay a special dividend of 2.4 cents per share, equating to \$62.5 million, as part of our five-year Capital Management Plan.

This brings the amount distributed under the Capital Management Plan since commencement in August 2015 to \$125 million, or 4.9 cents per share.

ENDS

Mark Binns
Chief Executive
Meridian Energy Limited

For investor relations queries, please contact:

Owen Hackston
Investor Relations Manager
021 246 4772

For media queries, please contact:

Philippa Norman
External Communications
04 806 4607



Better energy future



DEAR INVESTOR

It's pleasing to report an increase in the first half of the financial year's EBITDAF of 2% to \$332 million, with both the New Zealand and Australia operations reporting higher operating earnings than the previous corresponding period.

EBITDAF



GROWTH

INTERIM ORDINARY DIVIDEND



CENTS PER SHARE

SPECIAL DIVIDENDS



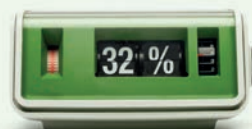
CENTS PER SHARE

NEW ZEALAND RETAIL SALES VOLUMES



INCREASE

POWERSHOP AUSTRALIA CUSTOMERS



GROWTH

POWERSHOP AGREEMENT WITH NPOWER



NOVEMBER

From our Chair and Chief Executive



CHRIS MOLLER *Chair*

MARK BINNS *Chief Executive*

Driving the improved performance is a satisfying increase in New Zealand retail sales, with higher corporate and industrial volumes (+4%), higher residential and small business volumes (+6%) and a lift in the overall average retail sales price (+3%). In Australia we saw a meaningful increase in sales volumes. Higher costs were incurred to supply these increased sales volumes and operating expenses increased, with a significant part of these associated with the Powershop growth in Australia and costs associated with the npower initiative in the United Kingdom.

Dividend

We are pleased to announce an ordinary dividend of 5.1 cents per share, up 6%

on last year. This is imputed to 85% and will be payable on 15 April 2016.

Capital management

At the 2015 full year announcement we announced that we would initially pay a special dividend of \$62.5 million (or 2.4 cents per share) as part of our five-year capital management programme. As with any capital management plan, there are diverse views as to the best manner of implementation. We have listened to the views of a wide range of shareholders and remain of the view that the circumstances at the time of any decision will determine the path taken. Given the continued strong trading of the company and there being no known material issue that would clearly affect

performance, the Directors have announced a further special dividend of \$62.5 million (2.4 cents per share). There will be no imputation credits attached to this payment.

This brings the amount distributed under the Capital Management Plan since commencement to \$125 million (4.9 cents per share).

Customers

Total retail sales volumes in New Zealand were up during the six months by 6%, with gains in both residential and small and medium business (SMB) as well as the corporate and industrial segments. This was pleasing given that overall aggregate demand in New Zealand was

only up 0.2% in the same period. Actual customer numbers, measured through Installation Control Points (ICP's), were down by 1% to 274,101. However in the past year we have made a concerted push into the small business segment and it has been rewarding to the team to see customer numbers in this segment improve by 7% since the commencement of the new financial year. In September Meridian finalised an agreement with Xero to allow *MyMeridian*, our online energy management tool, to interface with Xero Business Connect, allowing small and medium-sized businesses to seamlessly download billing data directly to their accounts. This is a real advantage for these customers in terms of both saving time and improving data integrity. Shareholders will see Meridian promote this collaboration with Xero in the next couple of months.

The improvement of customer service remains a core part of our retail strategy, and results of customer experience surveys have continued their upward trend in the past six months. Meridian retail recently won the CRM Contact Centre Award for commercial and business support services, which validates our ongoing investment in customer service.

During the six months ended 31 December 2015, our largest customer, New Zealand Aluminium Smelters (NZAS), saw aluminium prices fall by 8% in New Zealand dollar terms, as markets continue to reflect global economic uncertainty. Notwithstanding cyclically low prices, the smelter continued to consume at full contract volumes.

In Australia, Powershop customer numbers are now in excess of 63,000 and are now higher than those of Powershop in New Zealand. For the second year in a row Powershop Australia was ranked by Greenpeace as Australia's foremost green energy supplier.

Operations

Total generation in New Zealand was down marginally for the period at 6,858GWh¹. Hydro generation was down 1% but wind had a 4% increase, with October being the highest production month on record.

Stay-in-business capital expenditure remained within budgeted levels and in line with our view that this would average, in the medium term, around \$65 million per annum.

In Australia, generation volumes were down nearly 5% as a result of some poor wind months and a number of turbines being non-operational at our Mt Mercer wind farm while a safety issue with transformers was worked through to management's satisfaction. Wholesale prices improved during the period in terms of the raw energy price and the market for Large-scale Generation Certificates (LGCs) has also improved significantly. The finalisation of the long-running review of the Renewable Energy Target in June was the catalyst for the improvement in the LGC price.

Industry issues

Between March and August last year, over 1,100MW of thermal generation was slated for retirement in New Zealand, with 600MW of these closures implemented by end of December. This moves New Zealand further forward in terms of the percentage of the country's electricity needs that are provided by renewables. We currently estimate that at approximately 82% renewable generation, the country is in the top three in the OECD in terms of renewables as a percentage of total generation. However, if all of these retirements take place, new generation will need to be built in the medium term to ensure that the country can meet demand requirements during times of peak electricity consumption as well as when hydro flows are low. This raises interesting issues as to potential solutions in the short and longer term, which we are sure the market will resolve.

While New Zealand is undoubtedly moving to in excess of 90% renewable electricity generation in the medium term, some form of thermal generation will be required for the foreseeable future to cover the country's risk of being exposed to extended droughts. On the positive side, this generation is, and will be, needed less frequently than in the past.

Meridian is playing its part in working to a greater reliance on renewables and has recently completed the reconsenting of both its Maungaharuru and Central Wind development opportunities. We will also look at the available courses we can take to ensure that Meridian has

sufficient cover and is prudently positioned should we experience low lake inflows in the future.

Tiwai Point

It was flagged that NZAS had a termination right exercisable on 1 July last year. Suffice to say this matter had a lot of media coverage but the termination right was not exercised and a variation of the agreement was signed. The net effect was that Meridian remained contracted for the full 572MW currently used at the plant, and from 1 July 2017 will achieve a modest increase in the price we receive. NZAS retains the right to terminate the agreement on 12 months' notice at any time from 1 January 2017. Contemporaneously with the NZAS negotiations we negotiated financial arrangements with other generators, providing Meridian with some back-to-back cover that made the amended position with NZAS viable.

Given the aluminium industry's difficult trading environment, and the likelihood that the direction forward on the Electricity Authority's Transmission Pricing Methodology Review will be known this year – having a potentially significant impact on NZAS's cost position – it is shaping up to be a seminal year for our largest customer.

npower

In November Powershop signed an agreement with npower – one of the six largest electricity retailers in the UK – to franchise its operating system and brand material. This is an exciting opportunity for the Powershop team as it seeks to find new markets for its unique retail offering. Work is well underway to complete the software modifications to meet UK regulatory and npower's market requirements. Powershop already has personnel on the ground in the UK and it has been actively hiring new software developers for some time, in anticipation of the deal being concluded.

Hydro conditions

Decent inflows in late January 2016 lifted our catchment storage to near average levels, following a two-month period of lower inflows. Storage in our key Waitaki catchment was 93% of average at the end of January 2016, 12% higher than at the same time last year.

¹ Gigawatt hours. One GWh is equivalent to enough electricity for 125 average New Zealand homes for one year.

Powering small businesses

AS A SMALL BUSINESS OWNER, WILLOW SHOES' GEORGIE FALLOON KNOWS A BUSINESS RELIES ON GREAT CUSTOMER SERVICE.

The service that she received from Meridian after the first big earthquake in Christchurch stuck with Georgie. "It's that human touch you get with Meridian," she says. "The city's infrastructure was so broken, everything was so hard.

"Meridian went out of their way to get our new premises up and running. You just don't forget service like that," says Georgie.

Running a busy small to medium business of four outlets nationally means that Georgie doesn't always have a lot of time to get into the detail when it comes to her electricity usage. The information that she gets from Meridian's online energy tool *MyMeridian* is just the right amount when it comes to monitoring her electricity usage and spend.

"I'm not a huge user of electricity. I spend under \$10,000 annually mainly on heating and lighting. Power bills have never been easy to monitor in detail. I don't want to be overwhelmed with information about my energy use.

"*MyMeridian* offers something really new that's right for small businesses like mine – I can login and set up alerts and notifications to manage my power in seconds with a quick glance at my emails. Managing power, is not something I want to spend time on unless there is an issue," she says.

Meridian's recent partnership with accounting software company Xero has also made a difference for her business. Meridian is the only electricity retailer to be connected to Xero.

"In my view, Meridian's doing for power what Xero's done for accounting. I'd even go as far as saying it makes it fun! It's the *MyMeridian* interface that makes managing my energy use a positive experience," says Georgie.

The integration between *MyMeridian* and Xero means customers no longer have to manually enter their electricity bill details into Xero. They now get easy to understand information about their usage that highlights any changes that may need attention. The Xero integration is the first of many other time-saving innovations Meridian has been working on.

"Having my power bills and data fields flow through automatically saves me so much time, and I don't need to worry about errors. Getting alerts means that I give power some thought from time to time otherwise I just let it flow through each month. My Regional Partner at RightWay sees this as a great accounting management tool too," she says.



"We're a small business and we look to partner with innovative companies like Meridian who make doing business more efficient for us"

Better energy for Britain

MERIDIAN SUBSIDIARY POWERSHOP KEEPS POWERING AHEAD WITH OVERSEAS GROWTH OPPORTUNITIES WITH A RECENTLY-ANNOUNCED PARTNERSHIP WITH NPOWER – ONE OF BRITAIN'S LARGEST ENERGY COMPANIES, WHICH IS PART OF THE RWE GROUP.

In a market that is largely dominated by six electricity retailers that service over 50 million electricity and gas users, Powershop's unique online offering will bring a new level of innovation and competition to the British electricity market.

"This is a fantastic New Zealand innovation story – we've offered this technology to Kiwis and Australians and we're now giving the British the opportunity to save money on their power bills through the Powershop application," says Powershop Chief Executive Ari Sargent.

"This is also a great growth story for Meridian and Powershop. We're using Kiwi know-how and talent to give the British a better energy deal," he says.

The opportunity should also help job growth here as all Powershop development will remain in New Zealand.

The agreement will see Powershop customise its brand and online platform for use by npower in the British market. It is planned that the new operation will be based in Birmingham, in England's West Midlands region.

Over the next few months Powershop will customise, rigorously test and integrate their systems for the British market and supporting operations before making products available to customers to ensure a smooth launch and great customer experience.

The Powershop brand is expected to be launched publicly in the UK in late 2016 or early 2017.



THE FULL MERIDIAN INTERIM REPORT CAN BE DOWNLOADED FROM
meridian.co.nz/investors